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CLERK, U.S. DISTRICT COURT
DISTRICT OF OREGON
PORTLAND, OREGON

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Attorneys for Plaintiffs

UNITED STATES DISTRICT COURT

DISTRICT OF OREGON

Civil No. CV 00 1338 HU

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FIRST AMENDED COMPLAINT

(ERISA; Conspiracy to Commit: Fraud/Fraudulent Misrepresentation; Breach of Fiduciary Duty; Negligence; Conversion; Unjust Enrichment; Interference with Contract; Breach of Contract; Tortious Interference with Business Relations and Contract; and for Constructive Trust, Restitution and Rescission; Punitive Damages Requested)

Jury Trial Demanded

pgs 5-11

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196D-PD-45324-96

[redacted]

Plaintiffs,

v.

CAPITAL CONSULTANTS, LLC, CAPITAL CONSULTANTS, INC., [redacted]

[redacted]

WILSHIRE CREDIT CORPORATION, WCC INC., WILSHIRE REAL ESTATE PARTNERSHIP, L.P.,THE WILSHIRE REAL ESTATE INVESTMENT TRUST, INC., WILSHIRE SERVICING CORPORATION, WILSHIRE INTERNATIONAL FUNDING GROUP, INC., WILSHIRE FINANCIAL SERVICES GROUP, INC., WILSHIRE ACQUISITION CORPORATION, WILSHIRE FUNDING CORPORATION, CCI HOLDING COMPANY, FIRST BANK OF BEVERLY HILLS, PORTLAND SERVICING CORPORATION, CAPITAL WILSHIRE HOLDINGS INC., STERLING CAPITAL, LLC, CF CREDIT, LLC, [redacted]

Defendants.

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Plaintiffs (collectively referred to herein as "Trusts") allege:

JURISDICTION

1. This action arises under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, 29 USC §§ 1001, et seq., and is brought by the Trusts to obtain relief under Sections 409 and 502 of ERISA, 29 USC §§ 1109 and 1132, to redress violations and enforce the provisions of Title I of ERISA. This action further arises out of and seeks to redress violations of the Racketeer Influenced and Corrupt Organizations provisions of Title IX of the Organized Crime Control Act of 1970, 18 U.S.C. § 1961-1965 ("RICO").

2. This Court has subject matter jurisdiction under ERISA § 502(e)(1), 29 USC § 1132(e)(1), and 18 U.S.C. §1961-1965 ("RICO").

3. This Court has supplemental jurisdiction over plaintiffs' common law claims under 28 USC §1367.

VENUE

4. Venue lies in the District of Oregon, ERISA § 502(e)(2), 29 USC § 1132(e)(2) as the plaintiffs are Trustees of ERISA welfare and pension plans administered in this District and one or more of the Defendants reside or may be found in this District.

PARTIES

5. [redacted] b6 b7C

[redacted]

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are all of the Trustees of the United Association Local No. 290 Plumber, Steamfitter and Shipfitter Industry Pension Trust and Health and Welfare Plan and Trust, an employee pension benefit plan as defined in 29 USC § 1002(2)(A).

6. [redacted] b6 b7C [redacted] are all of the Trustees of the United Association Union Local No. 290 Plumber, Steamfitter and Shipfitter Industry 401(k) Plan and Trust, an employee pension benefit plan as defined in 29 USC § 1002(2)(A).

7. [redacted] b6 b7C [redacted] are all of the Trustees of the 401(k) Retirement Fund of the Office and Professional Employees International Union, Local 11, an employee pension benefit plan as defined in 29 USC § 1002(2)(A).

8. [redacted] b6 b7C [redacted] are all of the Trustees of the Office and Professional Employees International Union, Local #11 Health and Welfare Trust Fund, an employee welfare benefit plan as defined in 29 USC § 1002(1).

9. [redacted] b6 b7C [redacted] are all of the Trustees of the Idaho Signatory Employers-Laborers Pension Plan, an employee pension benefit plan as

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defined in 29 USC § 1002(2)(A).

10. [redacted] b6 b7C

[redacted] are all of the Trustees of the Oregon Laborers-Employers Health and Welfare Plan, an employee welfare benefit plan as defined in 29 USC § 1002(1).

11. [redacted] b6 b7C

[redacted] are all of the Trustees of the Oregon Laborers-Employers Pension Plan and Trust, an Oregon Laborers-Employers Defined Contribution and 401(k) Plan, an employee pension benefit plan as defined in 29 USC § 1002(2)(A).

12. The plaintiffs are collectively referred to as "plaintiffs" or "Trustees" and their respective ERISA plans as "Trusts" or "Plans".

THE DEFENDANTS

13. Capital Consultants, LLC ("CCL") is a Registered Investment Adviser, with its principal place of business in Portland, Oregon. For a fee it managed more than $1 billion for some 340 clients. At all relevant times, CCL provided investment advice to the plaintiff trustees and exercised authority and/or control over the investment of the Plans' assets. At all times relevant to this action, CCL was a fiduciary with respect to the Plans pursuant to ERISA § 3(21)(A, 29 USC § 1002(21)(A).

14. Capital Consultants, Inc. Capital Consultants, Inc. is the

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predecessor to Defendant Capital Consultants, LLC. Unless otherwise indicated CCI and CCL will be referred to collectively as "CCL". Defendant CCI Holding Company, Inc. is an Oregon Corporation, filed as a result of a name change from Capital Consultants, Inc. on June 30, 1999 and Disolved on September 2, 1999.

15. [redacted] is a resident of Portland, Oregon. He is the [redacted]

16. [redacted] is a resident of Portland Oregon. He is an [redacted] of CCL. He is a [redacted]

17. [redacted] is a resident of Portland, Oregon. He is a [redacted] in Capital Consultants, LLC. He is a [redacted]

18. Collectively, [redacted] are referred to as [redacted]

19. At all relevant times, the [redacted] individually and through CCL, provided investment advice to the Trustees for a fee and exercised discretionary authority and/or control over the investment of the Trusts' assets pursuant to agreed investment guidelines. At all times relevant to this action, the [redacted] were fiduciaries with respect to the Trusts, pursuant to ERISA § 3(21)(A), 29 USC § 1002(21)(A). The [redacted] acted as co-conspirators as alleged below.

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20. Wilshire Credit Corporation, ("WCC") was a privately held corporation engaged in the business of acquiring and servicing loan portfolios. Since 1994 and through October 16, 1998, WCC borrowed approximately $160 million (the "WCC) from CCL.

21. WCC Inc., a Nevada corporation registered to do business in Oregon. Latter changed its name to Wilshire Credit Corporation for convenience in licensing.

22. Wilshire Financial Services Group, Inc. ("WFSG") is a publicly traded Delaware corporation. It was created in 1996 as part of a reorganization of Wilshire entities.

23. Wilshire International Funding Group, Inc. ("WIFG") is a publicly traded corporation managed by the principals of Wilshire Credit Corporation.

24. Portland Servicing Corporation ("PSC") is a Nevada Corporation registered to do business as a Foreign Corporation in Oregon. [redacted] for the Corporation. b6 b7C This entity also received funds from the Trusts.

25. Capital Wilshire Holding ("CWH"). CCL formed a new corporation which in turn formed a wholly-owned corporate subsidiary (Mergeco) that was merged into WCC. The surviving entity, WCC, changed its name to Capital Wilshire Holding (old WCC). CWH was owned 1% by [redacted] and 99% by CCL. CWH then b6 b7C changed its name to WCC (New Servicer), and was owned by CCL (49%) and

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by WFSG (51%). It is a Nevada company.

26. [redacted] is an Oregon resident and [redacted] WCC and its affiliated and subsidiary companies. [redacted] acted within the course and scope of his employment and agency for the various Wilshire entities named and others not named. b6 b7C

27. [redacted] is an Oregon resident and is [redacted] b6 b7C

28. Specialty Finance Investors LLC, ("SFI") is an Oregon limited liability company. The [redacted] a WFSG officer. [redacted] was at one time the [redacted] of SFI. b6 b7C

29. [redacted] is a Maine resident and principal of Specialty Finance.

30. [redacted] is an Oregon resident and [redacted] WCC and its affiliated and subsidiary companies. [redacted] acted within the course and scope of his employment and agency for the various Wilshire entities named and others not named. b6 b7C

31. [redacted] is an Oregon resident and is [redacted] b6 b7C

32. Wilshire Real Estate Investment Trust, Inc., ("WREIT") is an Oregon corporation [redacted] and [redacted]

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33. First Bank of Beverly Hills ("BH Bank"), is a California financial institution with its primary place of business in Beverly Hills, California. BH Bank is a wholly-owned subsidiary of WFSG.

34. Wilshire Acquisition Corporation ("WAC"), is a Nevada corporation, formed on or about July 6, 1993, registered to do business in Oregon. WAC is the sole owner of BH Bank, and became a wholly-owned subsidiary of WFSG when WFSG was formed in 1996.

35. Wilshire Funding Corporation ("WFC"), is a Delaware corporation, formed on or about November 12, 1996, with its principal place of business in Portland, Oregon.

36. Wilshire Servicing Corporation ("WSC") is a wholly owned subsidiary of WFSG created in late 1996 and is in the business of servicing loan portfolios. WSC, while controlled by [redacted] b6 b7C entered into a servicing contract knowing that it eliminated what remaining collateral Plaintiffs had securing the WCC loans made with trust funds.

37. At all relevant times, [redacted] jointly, and through WCC and/or WFSG, and in concert with CCL and/or the [redacted] exercised discretionary authority and/or control over the Trusts' assets. Therefore, at times relevant to this action, [redacted] WCC and WFSG were fiduciaries with respect to the Trusts, pursuant to ERISA § 3(21)(A), 29 USC § 1002(21)(A). WIFG, PSC, [redacted] b6 b7C [redacted] Specialty Finance, [redacted] WREIT, BH Bank, WAC, WFC, WSG, CF Credit, [redacted] were parties in

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interest with respect to the plaintiffs' trusts' funds pursuant to ERISA §3(14)(B), 29 U.S.C. §1002(14)(B). These defendants acted as coconspirators as to the transactions detailed herein with the other defendants.

38. CF Credit, LLC ("CF Credit"), is a California limited liability company with its principal place of business in California. CF Credit, LLC ("CF Credit") was formerly known as CF Credit Inc., but was reformed in January 1996 to provide a $1.76 million loan to [redacted] b6 b7C

39. [redacted] is a California resident and a [redacted] which provided the $1.763 million loan to [redacted] on or about December 27, 1995.

40. [redacted] is a California resident and a [redacted] b6 b7C which provided the $1.763 million loan to [redacted]

41. Sterling Capital, LLC, ("Sterling") is a New Jersey limited liability company with its principal place of business in New Jersey. Sterling was formed on November 24, 1998, for the purpose of purchasing the $160 million debt owed by WCC and/or WFSG to CCL, and in December, 1998, agreed to purchase that debt.

RELATED ENTITIES AND INDIVIDUALS

42. Oxbow Capital Partners, LLC ("Oxbow Partners") is the promoter and manager of Oxbow Fund I and Oxbow Fund B.

43. Oxbow Capital 1999 Fund I, LLC ("Oxbow Fund I") was formed on January 12, 1999. From March 1999 through October 1999,

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Oxbow Fund I conducted a $25 million offering, raising $4.6 million from investors. The Oxbow Fund I offering was promoted and managed by Oxbow Partners.

44. Oxbow Capital 1999 Fund B, LLC ("Oxbow Fund B") was created in July 1999 to receive investments by Brooks Financial LLC. Since July 1999, it has conducted a $25 million offering promoted and sold by Oxbow Partners, and has raised at least $8.86 million from Brooks Financial, LLC and Beacon Financial, LLC.

45. Bear Stearns Co. Bear Stearns provided services to the Trusts directly, through CCL, and/or [redacted] for a fee. Bear Stearns held trust funds in a cash collateral account. b6 b7C

46. Brooks Financial, LLC ("Brooks") was formed on June 4, 1999, and immediately agreed to borrow up to $50 million (the "Brooks Loan") from CCL and to purchase $108 million of the WCC Loan from Sterling.

47. Beacon Financial, LLC ("Beacon"), which is under common control with Brooks, agreed in January 2000 to borrow up to $50 million (the "Beacon Loan") from CCL.

PROFESSIONAL ADVISORS

48. CCL and the Wilshire entities retained various professional advisors to provide auditing, appraising and legal advice relating to the transactions described in this Amended Complaint. The various professional advisors were aware that their advice was meant to assist the trust in

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managing trust assets which were governed by the provisions of ERISA. The professional advisors knew that their advice would be relied upon and were aware of the constraints set forth under ERISA, the investment agreements, and the trust documents on the type of investments and transactions that the trust could enter into.

SUMMARY

49. This action involves an ongoing scheme and conspiracy by a registered investment advisor, CCL and its principals, the [redacted] together with various Wilshire entities and their principals [redacted], to defraud ERISA participants of their pension and welfare funds by misleading the plaintiff trustees into believing their pension and welfare funds were being prudently managed, well-diversified and were properly and adequately secured. In fact, defendants secretly schemed and conspired to give away collateral, release various defendants from personal guarantees, make false statements, prepare and submit false financial reports and appraisals, and take other actions in furtherance of their personal financial gain and to the detriment of the plaintiffs and ERISA plan participants.

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BACKGROUND

Background on

CCL and the Loan Participation Interests

50. As of May 31, 2000, CCL had approximately 340 clients, primarily union trust funds. CCL managed about $1 billion, of which

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approximately $481 million was invested in various private placement investments, including $319 million in its Cash Collateralized Note Program (the "Note Program"). Defendants owed CCL's clients an affirmative duty of utmost good faith and fair dealing and full disclosure of all material facts concerning all transactions, including the Note Program.

51. CCL managed about $342 million Trust assets prior to stipulating to receivership in September, 2000.

52. In the Note Program, CCL and the [redacted] invested Plaintiffs' funds in participation interests in loans made by CCL to borrowers under the Master Loan Agreement, described elsewhere. These borrowers secured the loans with an assignment of the borrowers' receivables. For clients who participated in the Note Program, CCL and the [redacted] had discretionary authority to invest the clients' funds in such loan participation interests. For funds invested in loan participation interests, CCL received from its clients a 3% annual fee based on the investments' stated value.

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53. CCL and the [redacted] represented to the Trusts that the Note Program is "low risk" and "do[es] not carry a significantly higher level of risk" than "government securities, money market funds, commercial paper, and guaranteed investment contracts."

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54. CCL and the [redacted] also represented to clients, including plaintiffs' trustees, that the Note Program's objectives were to provide: "maximum current income consistent with preservation of investment capital"; and "control of portfolio risk through active management and credit

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quality." CCL and the [redacted] further represented that the Note Program's investment guidelines and procedures include: "active management of financing relationships"; "appropriate security interest in all collateral for each loan"; and "additional collateral equal to 15% of the loan balance in the form of cash, marketable securities or cash equivalent collateral." b6 b7C

55. CCL and the [redacted] also provided the Trusts with periodic updates regarding their investments in the Note Program. On a quarterly basis, its professional appraised the "market value" of the accounts and sent the appraisal to the client. CCL and the [redacted] also billed the clients for CCL's advisory fee on a quarterly basis. b6 b7C

56. The [redacted] were directly involved in the Note Program. This included negotiating with clients the amount of their investments in the Note Program, ultimately whether to make particular loans under the Note Program, determining which clients were invested in a particular loan, and participating in the preparation and review of the quarterly reports sent to clients regarding their investments. b6 b7C

Background on Master Loan Agreement

57. On July 7, 1995, CCL and WCC entered into a Master Loan Agreement (MLA), under which CCL would loan money from plaintiffs' ERISA trust pension and welfare funds and other trust funds to WCC. Among the restrictions and conditions of the Master Loan Agreement designed to protect the trust fund money to be loaned were the following:

(a) The loan proceeds were to be used for loan expenses and

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general operating capital of WCC;

(b) There was to be an appraisal performed on the value of the loan servicing fees;

(c) WCC was at all times to maintain a positive net worth;

(d) WCC was not at any time to do anything which would impair the collateral; and

(e) WCC was not to do anything fraudulent.

58. CCL represented to the Trusts that these protections were in the Master Loan Agreement and that they would be enforced to protect the trust fund assets invested by CCL under the Agreement. WCC understood that these representations would be made and relied upon by the trustees.

59. WCC, acting through its principals, [redacted] b6 b7C [redacted] knew this contract was funded by employee benefit plan funds and was subject to ERISA. They further knew that the valuation requirement in the contract was for the purpose of protecting the collateral and allowing the trustees to have a meaningful evaluation/appraisal of whether the loans were properly, safely, and adequately secured, in order to protect the trust fund assets and to ensure compliance with the trustees' investment guidelines.

60. The professional advisors hired by WCC and CCL, also knew this purpose of the valuation requirement.

61. From July 1995, through September 27, 1996, WCC borrowed approximately $75 million from CCL, a portion of which included

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Plaintiff's trust funds. WCC was supposed to, and may have, in part, used this money to purchase loan pools, for which it provided servicing rights. During this same period [redacted] removed in excess of $60 million from WCC in the form of personal loans. During the same period, WCC entered into servicing agreements with independent third parties, whereby WCC would service the loans and be paid a fee for that service. b6 b7C

62. The trustees were told by CCL, the [redacted] and by CCL's professional advisors, that WCC was in the business of purchasing loan portfolios and acquiring servicing contract rights. b6 b7C

I. THE UNDISCLOSED CORRUPT RELATIONSHIP BETWEEN [redacted]

A. The WSI Transaction

63. From 1993 through 1995, [redacted] and CCL entered into a series of transactions, by which CCL loaned trust money to West State, Inc. ("WSI"), a corporation conducting business at the Port of Portland. b6 b7C

64. In mid to late 1993, WSI became insolvent. It became apparent to CCL and [redacted] that WSI could not meet the repayment obligations.

65. [redacted] knew that if WSI did not make the payments called for, the trustees of the ERISA funds would learn of this default. [redacted] knew that if the trustees learned of the defaulted loan, it would reflect negatively on him and lead the trustees to question this loan and investigate b6 b7C

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other investments with CCL.

66. To further the appearance that WSI was capable of making loan repayments on its own, and in furtherance of the scheme to defraud plaintiffs, [redacted] arranged with Defendants [redacted] for WCC to borrow $3.645 million. It was expressly understood and agreed by [redacted] that the $3.645 million would be loaned from WCC to a related company of WSI called Astoria Metals Corporation (AMC). AMC would in turn loan the money to WSI and WSI would in turn appear to be capable of making a payment back to CCL on WSI's loan. b6 b7C

67. The above events purported to take place on June 27, 1994. On June 22, 1994 a professional advisor of [redacted] acting on their behalf, wrote a letter to [redacted] attaching a proposed letter which CCL was to send back to WCC on June 27, 1994. The proposed letter sent by the legal advisor of defendants [redacted] set forth conditions which effectively nullified WCC's obligation to repay the loan and effectively nullified [redacted] obligation to guarantee the loan. Nothing contained in the June 22, 1994 letter by the legal advisor of [redacted] sent to [redacted] was revealed to plaintiffs. b6 b7C

68. On June 27, 1994 a loan of $3.645 million was made by CCL to WCC. This loan was guaranteed by defendants [redacted] Accompanying the loan documents, but unbeknownst to b6 b7C

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plaintiffs, a letter by CCL dated June 27, 1994 effectively made the loan nonrecourse as to WCC, [redacted] The letter was substantially identical to the letter suggested by [redacted] legal advisor five days earlier. The letter was not revealed to plaintiffs. b6 b7C

69. The use by WCC of those funds to make the payments required by the agreement were the beginning of a conspiracy involving a series of reciprocal loans and favors by and among [redacted] WCC, WFSG, [redacted] and CCL, for their mutual personal benefit to the detriment of plaintiffs herein. b6 b7C

B. The CF Credit Loan

70. In December 1995, shortly after execution of the Master Loan Agreement, [redacted] and CCL were ordered to disgorge $1.7 million to the Oregon Laborers-Employers Pension Trust in settlement of a civil suit filed by the U.S. Department of Labor. The repayment was a disgourgement of profits received by CCL and [redacted] in collecting excessive management fees for ERISA funds under their control. CCL and [redacted] did not have sufficient funds to pay the $1.7 Million. b6 b7C

71. In the fall of 1995, but before December 5, 1995, [redacted] approached [redacted] to obtain a loan to pay the expected obligation. As early as October 1995, [redacted] understood that it was likely that he would have to pay a substantial fee disgorgement require by DOL. In October 1995, CCL increased WCC's line of credit under the MLA to $100 million. This culminated a three-month period of increases from $10 million to $100 b6 b7C

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million.

72. A loan from WCC to [redacted] under these circumstances, b6 b7C would have been a prohibited transaction under the provisions of ERISA.

73. In order to conceal this loan from WCC to [redacted] WCC through its principals, in a continuation of the reciprocal favors between WCC and CCL, along with C.F. Credit, [redacted] arranged to cover up their prohibited transaction. [redacted] in California who was also b6 b7C a principal of the defunct CF Credit, wrote a letter falsely stating he had a client (CF Credit) "prepared to make a loan to" CCL for the DOL obligation. He further stated that the client was not involved with CCL or [redacted] He wrote this letter knowing the funds would come from WCC and were CCL's clients trust funds. On December 27, 1995, CCL loaned WCC $4.5 million. WCC loaned approximately $5 million to defendant [redacted] who reformed a defunct entity known as CF Credit, LLC. CF Credit then opened a line of credit for [redacted] in the approximate amount of $5 million.

74. On December 27, 1995, CF Credit loaned [redacted] b6 b7C $1,763,000 to pay the Department of Labor obligation. CF Credit was not actually formed as an entity until January 3, 1996. [redacted] CCL, [redacted] WCC, [redacted] and CF Credit knew or should have known that the money loaned to [redacted] by CF Credit was coming from WCC and that this was an ERISA prohibited transaction. In addition, they knew or should have known that the money involved belonged to the plaintiffs' trusts.

75. [redacted] CF Credit and the

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principals, employees and professional advisors of CCL and WCC intentionally and deliberately conducted this scheme in a manner so as to conceal it from the plaintiffs. Plaintiffs did not learn of this scheme until late in 1999. As a result of the CF Credit loans, CCL and the [redacted] and b6 b7C their officers, employees, and professional advisors had compromised their objectivity or ability to exercise fiduciary judgment on behalf of the plaintiffs. As a result of the CF Credit loan and increase of the MLA loan amount, WCC, WFSG, [redacted] effectively had control over CCL and [redacted] thus exercising control and discretion over plaintiffs' trust funds.

C. The First Impairment of Collateral

76. In the fall of 1996, [redacted] using b6 b7C CCL's trust funds invested with WCC, created WFSG, a publicly traded company. This was in violation of the Master Loan Agreement. However, in the prospectus, filed in October 1996, [redacted] falsely represented that they were investing $30 million of their own money in the new company.

77. In conjunction with the initial public offering in November 1996, [redacted] WCC and WFSG also entered into b6 b7C agreements that:

a) WCC would agree not to compete with WFSG for loan portfolios;

b) WCC would cease servicing its loans and loan pools within

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two years; and

c) [redacted] WCC and WFSG agreed that any loan servicing rights owned by WCC would be transferred to a newly created company, Wilshire Servicing Company, wholly owned by WFSG within two years, thereby terminating WCC's servicing rights. b6 b7C

78. [redacted] in the prospectus also represented that the value of WCC, as of the end of October 1996, was negative $1.1 million, and that WCC was operating at a net loss for the third quarter of 1996. This valuation of WCC, if accurate, constituted a breach of the MLA and was contrary to representations made by WCC to CCL which was intended to be passed on to the Trustees. b6 b7C

79. The separation of servicing rights from the ownership of the loans, the transfer of loan servicing rights to a third party, and the requirement that WCC not compete for loan portfolios, impaired the collateral underlying the loans.

80. Although CCL and the [redacted] knew of the prospectus and these agreements, in furtherance of the conspiracy, they did not inform the Trustees of the proposed changes in WCC's operating status, even though the changes breached the Master Loan Agreement's provisions for the protection of trust assets invested under the agreement and the investment agreements. b6 b7C

81. On November 15, 1996, WCC entered into a Loan Servicing

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Agreement (LSA) with WFSG, with WCC agreeing that it wouldn't compete with WFSG, that it would seek new loan portfolios, and that it would relinquish loan servicing rights to WFSG within two years. Entering into that contract violated the terms of the Master Loan Agreement and the investment agreements as well.

82. During this time, professional appraisers, working on behalf of both CCI and WCC, continued to prepare and issue valuations as required under the Master Loan Agreement. The professional appraisers' valuations were provided to the trustees and their advisors to assist them in managing ERISA funds. The professional appraisers, WCC and its principals, and CCL and its principals, knew the appraisals were false and misleading and used those reports to falsely represent the value of the loan servicing fees (i.e. the collateral). The appraisals, however, falsely represented or purposely omitted material terms that affected the value:

(a) The appraisals falsely represented that the appraisers reviewed appropriate documents;

(b) The appraisals falsely represented through omission that the term "market value" had a special meaning different from the normal and customary definition;

(c) The appraisals falsely represented through omission that the LSA, which shortened WCC's revenue stream, had drastically reduced the value of the loan servicing fees, and failed to calculate that material change in the valuation; and

(d) The appraisals falsely represented they were conducted by an independent and unbiased appraiser.

83. CCL used these false and misleading appraisals to represent

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that their funds were invested prudently. The trustees

d on these representations.

By February 1997, the principals and employees of CCL,

ofessional advisors, were fully aware of the LSA by which

up the right to receive payments on its loans and the

ereof. At no time did any of them advise the trustees of the

servicing contract and other changes. Rather, CCL continued

borrow money and charge and receive 3% of the loan face

these loans without disclosing the breach of the Master Loan

ne significant impairment to the collateral.

In the WFSG prospectus filed in October 1996, just before

ic, [redacted] represented that WFSG had b6 b7C

urchasing WCC. Despite that representation, in October

med certain trustees that WSFG did intend to acquire WCC.

This statement was materially misleading because the

tion would only come through a bankruptcy restructure,

detriment of creditors of WCC, including the plaintiffs.

cussed or hinted at in the quarterly reports or the many

de by [redacted] other

L, and/or their professional advisors.

D. The Hand That Feeds You! Loan

During the time that the appraiser was providing valuation

one of the principals of the appraiser arranged for a loan

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from CCL to [redacted] to operate a frozen snack food business, known as "The Hand that Feeds You!" b6 b7C

88. There were two loans, each in the approximate amount of $2 million to $2.5 million, one which was collateralized and one which was a private unsecured note. After approximately $650,000 was repaid, one of the loans went into default.

89. In investigating the loans, CCL became aware that the debtor was creating fraudulent receivables to substantiate collateral to continue the line of credit.

90. In order to avoid showing a loss on its investment, [redacted] requested through [redacted] that WCC purchase these two loans at face value. WCC agreed and [redacted] provided a personal guarantee for those two loans. That guarantee was released for no consideration in the Wilshire Financial bankruptcy. These were prohibited transactions. b6 b7C

91. As *quid pro quo* for the loan, the professional consultant provided overstated appraisals for the various portfolios. The consultant was aware that the appraisals had been improper but continued the course of conduct of providing inflated appraisals of the portfolios.

92. The principals, officers and professional advisors of CCL and WCC knew of and benefited from this arrangement, which overstated the value of the WCC portfolios, allowed it to continue after learning of the practice and, indeed, increased the amounts by which the values were inflated.

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93. Neither CCL, WCC, the appraiser, their principals, officers, nor employees disclosed to the Trusts that the original loan to the Hand That Feeds You! was made to an insider or was backed by fraudulent receivables; that WCC was required by [redacted] to purchase the bad loan at face value, or that [redacted] personally guaranteed the loan as a condition to its purchase by WCC. b6 b7C

94. CCL, WCC, the appraiser and their principals, carried out the scheme in order to continue the practice of providing fraudulent appraisals on the WCC proposals to induce the trustees to continue to participate in the WCC investment program. CCL, WCC, the appraiser and their principals expected that the trustees would reasonably rely on these false appraisals and that their conduct was fraudulent and in violation of the terms of ERISA.

E. Personal Loans

95. [redacted] was aware by January 1997 that WCC had significantly breached the terms of the MLA with the first impairment of the collateral and that if that information were provided to the trustees, it could jeopardize their investments in CCL. b6 b7C

96. On January 30, 1997 [redacted] borrowed $400,000 directly from WCC and executed a Promissory Note in that amount in favor of WCC. b6 b7C

97. By February 13, 1997, [redacted]

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of CCL prepared a confidential draft of a letter to [redacted] setting forth numerous serious and significant breaches of the MLA. These breaches included Impairment of Collateral, entering into prohibited transactions which reduced WCC's ability to repay the loans, inappropriate and massive distributions from WCC to [redacted] ($42,970,000) during 1994 and 1995. The letter also pointed out numerous material misrepresentations made by WCC to CCL. b6 b7C

98. At [redacted] direction, this letter was never put in final form. b6 b7C

99. Simultaneously with CCL's discovery of the MLA breaches, [redacted] was provided a $400,000 loan from WCC, which was followed by a series of loans from entities owned or controlled by [redacted]

(a) On or about January 30, 1997, [redacted] borrowed $400,000 from WCC and executed a Promissory Note in that amount in favor of WCC and agreed to repay the principal and interest on March 1, 1997. As security for that note, [redacted] pledged all his interest in 925 Park Avenue Associates, LLC, including his 100% membership interest and 100% of his right title and interest in the management contract between [redacted] and West Coast Hotels, Inc; b6 b7C

(b) On or about April 18, 1997, [redacted] borrowed $400,000 from WCC or another entity owned or controlled by [redacted] b6 b7C

(c) On or about December 18, 1997, [redacted] borrowed $500,000 from WCC or another entity owned or controlled by [redacted]

(d) On or about January 8, 1998, [redacted] borrowed

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$500,000 from WCC or another entity owned or controlled by [redacted] and

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(e) On or about April 1, 1999, [redacted] borrowed $411,587.72 from Wilshire Funding Corporation (WFC) and executed a Promissory Note in that amount in favor of WFC and agreed to repay the principal and interest over 180 months. As security for that note, [redacted] pledged/delivered a Deed of Trust to 5315 S.W. Patton Road, Portland Oregon 97201.

100. At the time the loans were made [redacted] and the involved Wilshire entities, were aware that the loans constituted a Prohibited Transaction under the applicable ERISA statutes and that the loans created a conflict of interest for [redacted] who was handling trust money.

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101. The loans were made by [redacted] via the Wilshire entities, as a quid pro quo and inducement for [redacted] to suppress information concerning the First Impairment of Collateral and to induce the trustees to continue and improve their participation in the Collateralized Note program.

II. SELF DEALING

A. Release of the Cash Collateral Account

102. On or about October 15, 1998, and just weeks before CCL, WCC, and their respective principals began their planned maneuvering toward WFSG's bankruptcy and reorganization, WCC had margin calls from its creditors in excess of $40 million and was required to make payments to its creditors in full. WCC was unable to make those payments due to its lack of capitalization. CCL was aware that WCC was unable to meet the calls.

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103. As part of the Note program, Bear Stearns held $19.3 million in a cash collateral account as of October 15, 1998. The assets in the cash collateral account were trust assets that belonged to CCL's clients, including the Trusts.

104. Pursuant to Amendment No. 7 to the Master Loan and Security Agreement – 1995 – 1, (entered into between CCL and several Wilshire entities, including WCC, WFSG, and WREIT), CCL and the [redacted] caused Bear Stearns to release assets held in the cash collateral account to pay WCC's general creditors. CCL breached its fiduciary duty by releasing plan assets to the detriment of the trusts. b6 b7C

105. The principals, employees, and professional advisors of WCC knew of this breach of fiduciary duty by CCL at or before the time the breach occurred. None of those entities ever disclosed to the plaintiff trustees that the cash collateral account had been given away.

B. [redacted] Loan b6 b7C

106. On September 30, 1998 [redacted] ostensibly on behalf of Specialty Finance Investors, LLC (SFI) executed a Promissory Note in favor of [redacted] in the amount of $5,210,853 and another Promissory Note in favor of [redacted] in the amount of $380,147. [redacted] had resigned as [redacted] of SFI on September 1, 1998, a month before executing the Note and was not authorized to bind SFI to these agreements.

107. In fact, as of September 30, 1998 SFI was worth

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approximately $300,000, the amount of the capital accounts of the three initial Members. In addition, as of September 30, 1998 the [redacted] b6 b7C of SFI was [redacted] who was also an officer of WFSG. [redacted] were aware of the financial status of SFI. After September 30, 1998, at least $5.4 million of the $6 million loaned by CCL to WCC was transferred to SFI.

108. On October 15, 1998, [redacted] b6 b7C entered into a Pledge and Security Agreement, under which he pledged 3,242,128 shares of WFSG stock and the SFI promissory note to CCL. On the same date, [redacted] pledged her SFI note to CCL.

109. The unauthorized Promissory Notes from SFI were unfunded and did not represent a valid, enforceable agreement as [redacted] b6 b7C [redacted] was not authorized to enter into the Promissory Notes and the [redacted] had not given value for the notes.

110. The notes were concocted to be used in a scheme to obtain the release of cash collateral from WCC to CCL. [redacted] b6 b7C [redacted] were each aware of these facts and the release of fraudulent scheme to obtain cash collateral for the Wilshire defendants and/or to [redacted] personally.

111. On October 16, 1998, CCL and WCC entered into the Eighth Amendment to Master Loan and Security Agreement (Eighth Amendment), pursuant to which CCL agreed to lend $6 million to WCC. The

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purpose of the loan was, at least in part, to fund SFI. The funds advanced pursuant to this agreement were paid by CCL to SFI.

112. As a part of the Eighth Amendment, defendants WCC, [redacted] represented that the Wilshire entities had no intention of filing or initiating Bankruptcy proceedings when in fact they were already contemplating a prepackaged bankruptcy which was ultimately filed in January 1999. b6 b7C

113. As a part of the Eighth Amendment, defendants WCC, [redacted] represented that WFSG and WREIT had an aggregate shareholder's equity of above $200 million when in fact as they knew, this was not true. b6 b7C

114. As a part of the Eighth Amendment, defendants WCC, [redacted] represented that WCC was not "insolvent." In fact, they knew this was not true.

115. CCL, its principals and professional advisors, knew for their part that the Eighth Amendment was imprudent and in violation of trust investment agreements and also knew that the SFI notes were of little, if any, value.

116. The CCL defendants had a duty not to enter into Eighth Amendment and to advise their clients of the precarious nature of the entire WCC investment program.

117. As a result of the wrongful conduct of the WCC defendants, the CCL defendants and their professional advisors, the trusts lost at least $6

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million as a result of the Eighth Amendment.

118. Within six weeks of the release of $6,000,000 to WCC, CCL's professional advisors, who also acted as advisors to the Trustees, received a Balance Sheet for SFI, which reflected a loss of approximately $7,400,000 on SFI's investment account. It also showed total liabilities and equity in the amount of $495,815.71. The statement also showed the equity capital of [redacted] as $100,000. CCL and the professional advisor had a duty to but did not advise the Plaintiffs of this drastic reduction in the value of SFI and then of the SFI notes. b6 b7C

119. As part of the WCC restructuring, on January 19, 1999, CCI and the WCC entities entered into the Amended Restated Restructuring Agreement, under which WCC agreed to release various claims, including the [redacted] SFI Notes and the stocks pledged as noted above. b6 b7C

120. On February 1, 1999, CCL assigned to Sterling Capital all of its interest in the Master Loan & Security Agreements.

121. On April 12, 1999 WFSG was reorganized pursuant to Chapter 11 of the Bankruptcy Code as more fully described below.

122. On June 8, 1999, CCL, [redacted] b6 b7C entered in a Mutual Release, under which all claims among the parties were released, including the SFI loans. CCL entered into the Mutual Release with the assistance and advice of its professional advisors, who also knew that the Release was improper and impaired the Trust's ability to regain its ERISA funds.

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123. On June 21, 1999, CCL, with the assistance and advice of its professional advisors, who were also the Trustees' personal advisors, filed a form UCC-3, releasing its interest in the pledged shares described above.

124. At all times herein relevant, the persons who acted as the personal advisors of CCL, [redacted] knew that b6 b7C their opinions and work products were developed, in part, to be provided to the trustees so that they could make informed decisions on the management of the funds, which the professionals knew were governed by ERISA. The professional advisors, [redacted] and the principals, and employees of CCL, all owed plaintiffs fiduciary duties to act with utmost care and honesty, to refrain from self-dealing, and to convey to plaintiffs all material information learned, from any source at any time.

125. The professional advisors, [redacted] and the principals and b6 b7C employees of CCL, breached all of the aforementioned fiduciary duties when they participated in this fraudulent transaction.

III. THE FRAUDULENT REORGINIZATION

The Sterling Cover-Up

WFSG's Bankruptcy

And the Discharge of the WCC Loan

126. WFSG filed for bankruptcy under Chapter 11 and a plan of reorganization and restructuring was proposed and approved by the court. Prior to the Chapter 11, [redacted] transferred personal b6 b7C assets to their [redacted]

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127. At the time of the bankruptcy and reorganization, [redacted] and WCC were actually indebted to CCL in the amount loaned under the Master Loan Agreement and that debt was secured by collateral having a value substantially less than the loaned amount. [redacted] and WCC materially deliberately misrepresented their actual circumstances and intents in the reorganization plan. b6 b7C

128. As a part of the restructuring, [redacted] and [redacted] indebtedness and personal guarantees were forgiven without good consideration. In addition, all of the indebtedness of [redacted] arising from personal guarantees of WCC debt was also forgiven without good consideration. The plaintiffs received no consideration in return for such forgivenesses. These transactions were entered into for the personal benefit of [redacted] and to the improper detriment of the trust funds. b6 b7C

129. As part of the restructuring, in a November 21, 1998, agreement as amended on January 19, 1999, CCL purportedly released its claims for repayment of the WCC Loan through a complex restructuring in exchange for 1,000 shares of non-voting class B stock in the New Servicer renamed as WCC. New Servicer is owned by WFSG (50.01%) and CCL. The shares could be converted after two years into up to 42.75% of WSFG's outstanding common stock as of the restructuring.

130. CCL purported to represent the interests of CCL's clients, including the Plaintiffs, in the negotiations that resulted in the restructuring.

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However, as part of the restructuring agreement, CCL released [redacted] and [redacted] from their personal guarantees and these releases were permitted without receiving adequate alternative security in exchange and without the knowledge of CCL's clients, including the Trusts. CCL and its principals acted without express or implied authority in providing releases on behalf of plaintiffs. Once the releases were accomplished, CCL failed to disclose that fact to the Trustees. Indeed, CCL, its principal, employees and professional advisors, actively worked together to conceal these facts from the Trustees. CCL and [redacted] engaged in this conduct in the furtherance of their own, rather than the Trusts', interests so they could be released from personal obligations in the furtherance of the scheme of the self-dealing by the parties.

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131. When some plaintiffs eventually learned of the release of the guarantees and questioned CCL's, employees and professional advisors, CCL maintained that the releases were required by the bankruptcy. This was not true and was designed to further conceal the impropriety of defendants' actions and the consequent elimination of the security for the loans to the detriment of the Trusts.

132. On March 3, 1999, WFSG filed a Chapter 11 bankruptcy reorganization plan, which was approved in June of 1999.

133. In November and December 1998, WSFG provided to CCL projections estimating that CCL's WSFG stock would have a value in 1999 of $31.78 million. As of January 26, 1999, WFSG had a market capitalization of

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$4.5 million (11,070,000 shares outstanding x $0.406 per share); therefore, assuming CCL exercised its right to convert into 42.75% of WFSG stock and the market capitalization did not increase, its stock would be worth only $1.9 million (i.e., 42.75% x $4.5 million).

134. WFSG's reorganization plan valued the $160 million WCC Loan at only $6.45 million on a liquidation basis.

135. During WFSG's reorganization negotiations, CCL made the December, 1998, and January, February, and March, 1999, payments on the WCC Loan (approximately $1.53 to $1.73 million per month) out of the trusts' cash collateral account.

IV. THE PONZI SCHEME

A. Sterling's Agreement to Purchase the WCC Loan

136. On November 15, 1998, [redacted] and his professional advisors suggested to a potential investor that WFSG would go through a prepackaged bankruptcy in the near future. [redacted] and his professional advisor suggested that this investor create a separate company and use that separate company to purchase the $160 million loan portfolio of the trustees. They also suggested that as a part of a prepackaged bankruptcy of WFSG, they would take the $160 million and convert it to between 40% and 50% in equity in the new restructured WSFG. b6 b7C

137. The next day, [redacted] outlined the terms of the planned bankruptcy of WSFG to the potential investor. After these discussions, WCC and CCL and their principals and professional advisors

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continued to represent to the trustees that there were no problems with any of the trust funds invested with CCL and/or WCC and did not disclose the impending bankruptcy. At no time did any of them indicate or suggest that the bankruptcy was a potential for WSFG. Indeed, these defendants made presentations demonstrating the health and productivity of these loans.

138. During this same time period, up through and including the discussion of potential bankruptcy, the principals, executive officers, and professional advisors of both CCL and WCC, continued to value the collateral for the servicing rights of the company at or near 100% of lifetime performance, instead of at the actual value of progressively less than two years' payments.

139. In further attempt to conceal the WCC defaulting loans and in connection with the reorganization, on December 18, 1998 [redacted] (on behalf of CCL) and Sterling's principal signed a "Term Sheet," under which Sterling agreed to purchase from CCL the WCC Loan, for the full $160 million balance owing and all accrued interest. Sterling agreed to pay CCL no less than $2.5 million toward the purchase price beginning January 25, 1999, and on the 25th day of each month thereafter, until January 25, 2004, when the loan would be due and payable in full. The Term Sheet provided, however, that if Sterling failed to pay any amount due under the agreement, the "agreement would be automatically terminated without further liability to Sterling."

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140. On February 1, 1999, CCL and Sterling finalized the loan

purchase agreement, which provided that Sterling agreed to begin its monthly payments on March 25, 1999 (instead of January 25, 1999) and to make $3.11 million initial deposit to CCL on or before March 31, 1999. In the final agreement, Sterling retained the right to terminate payments without further liability.

B. Sterling's Failure to Make Payments and the [redacted] Proposal to Sell a Portion of the WCC Loan

141. At least by the time Sterling's principal signed the [redacted] Sheet, he frequently discussed with [redacted] that Sterling had no funds. intention, to pay under the Term Sheet until a venture fund he was forming (Oxbow Fund I) began raising money; that the venture fund had not been approved for sale; and that he was uncertain when the venture fund would be approved. At no time did [redacted] or any employees or professional advisors of CCL, all of whom owed fiduciary duties of disclosure to the plaintiffs, disclose any of this information to plaintiffs.

142. In March, 1999, Oxbow Partners began a private placement offering of Oxbow Fund I to raise $25 million. By March 31, 1999 (by which time Sterling was already to have paid CCL $5.61 million for the WCC Loan), however, Oxbow Fund I had not received any funds from investors. When the offering ceased in October, 1999, Oxbow Fund I had raised only $4.6 million. None of these monies were paid to CCL.

143. On or about May 23, 1999, Sterling's principal told the [redacted] that Sterling could not make the WCC Loan payments and that

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wanted to terminate the agreement to buy the loan. The [redacted] proposed instead that Sterling decrease its payments by selling a portion of the WCC Loan to a third party. The [redacted] told Sterling's principal that they had a borrower who was increasing its loan by $50 million and that the borrower should be able to take some of its profits from use of the additional loan proceeds to acquire a portion of the WCC Loan. Sterling's principal thought that Sterling could make a $500,000 monthly payment and agreed to the [redacted] proposal to sell two-thirds of the WCC Loan to the third party as arranged by [redacted]

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144. On May 25, 1999, CCL and Sterling amended their loan purchase agreement. Under the amendment, Sterling's date for making an initial deposit was postponed from March 31, 1999 to January 1, 2004, and its monthly payment was reduced from $2.5 million principal and interest payments to $1.533 million interest-only payments. CCL also waived its right to receive $2.5 million payments due in March and April 1999. At no time did any of the principals, employees or professional advisors of CCL, all of whom owed fiduciary duties of disclosure to the plaintiffs, disclose any of this information to plaintiffs.

C. The Brooks Loan, Brooks' Agreement to Buy a Portion of the WCC Loan, and the Use of Brooks Loan Proceeds to Make WCC Loan Interest Payments

145. On June 4, 1999, Brooks entered into related and dependent agreements with CCL and with Sterling. In the first agreement, CCL, as

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agent for the plaintiffs and its other clients, agreed to lend Brooks up to $50 million for the purpose of funding Brooks' purchase of receivables and a portion of the WCC Loan. Under this Brooks Loan, CCL was to make advances on the loan, as Brooks pledged pools of receivables as collateral. Brooks also would use a portion of its profits from use of the loan to acquire up to $108 million of the WCC Loan.

146. In the second agreement, Sterling agreed to sell up to $108 million of the WCC Loan to Brooks. The agreement stated that Sterling acknowledged that Brooks' obligation to purchase interests in the WCC Loan, and to pay for an interest in the loan, was "limited solely to the availability of funds allocated pursuant to [Brooks Loan.]"

147. From June through December, 1999, CCL loaned Brooks a total of $38.1 million of the trust funds through seven monthly advances in amounts which ranged from $4.39 million to $6.73 million. During the same period, $7.843 million of the Brooks Loan proceeds were used to fund its payments on the WCC Loan. Specifically, from June through December, 1999, CCL, Wilshire, Brooks & Sterling took from $1.028 million to $1.53 million a month directly out of the Brooks Loan escrow account, and applied the funds to satisfy a portion of the $1.528 million to $1.584 million WCC Loan interest payments for May through November, 1999 to make it appear the loan was performing to conceal its actual status from the plaintiffs and other CCL clients.

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D. The Beacon Loan and the Defendants' Proceeds to Make WCC Loan [illegible]

148. On January 3, 2000, CCL, purportedly on behalf of plaintiffs and its other clients, agreed to lend Beacon [illegible] plaintiffs' trust money to fund Beacon's purchase of [illegible] loan, CCL was to make advances on the loan as Beacon [illegible] receivables as collateral.

149. From January through July, 2000, [illegible] total of $33.88 million. $7.372 million of Beacon Loan [illegible] to fund Brooks' payments on the WCC Loan [illegible] through July, 2000, $1.014 million to $1.115 million [illegible] directly out of the Beacon Loan escrow account and applied to satisfy a portion of the $1.583 million to $1.[illegible] million payments for December, 1999, through June, 2[illegible] This [illegible] from plaintiffs and other CCL clients the actual funds [illegible] loans.

E. Use of Brooks and Beacon Loan Proceeds to Make Sterling's Portion of the WCC Loan

150. In early July 1999, Sterling informed Brooks that Sterling could not make its monthly $500,000 WCC Loan payment. Brooks proposed a plan in which Sterling could get money from Brooks to make its WCC Loan payments. [redacted] proposed that Brooks principal could start a new fund; (2) CCL would [illegible]

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funds from its reserve account into this new fund; (3) Oxbow Partners could sell the new fund stock it already owned at a profit; and (4) Oxbow Partners could use that profit to make Sterling's WCC Loan payment.

151. In late July 1999, CCL, Brooks, Beacon & Sterling and their principals implemented [redacted] plan. The Brooks Loan agreement provided that 15% of each advance would be held in a reserve account as security for CCL. The agreements further provided that CCL would invest the funds in the reserve account in U.S. Treasury securities or money market investments. In a July 28, 1999, letter agreement, however, [redacted] on behalf of CCL, agreed that Brooks could invest the funds in its reserve account in "mutual funds or other pooled investments." b6 b7C

152. Also in July, 1999, Oxbow Fund B started a $25 million private placement offering which was promoted and sold by Oxbow Partners. Oxbow Fund B's offering documents stated that it would use the offering proceeds to make equity and debt investments as determined by Oxbow Partners.

153. From July, 1999, through July, 2000, Brooks and Beacon invested in Oxbow Fund B a total of $8.86 million that was designated as being for its 15% reserve accounts. These investments were wired to Oxbow Fund B directly from the escrow accounts for the Brooks and Beacon Loans.

154. Pursuant to [redacted] plan, Oxbow Fund B used the Brooks and Beacon invested funds to purchase stock from Oxbow Partners that Oxbow Partners had previously acquired. Prior to July, 1999, Oxbow b6 b7C

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Partners had acquired, for $1 per share, a 49.99% interest in a start-up technology company called Topia Ventures, Inc. ("Topia"). As of July, 1999, Topia was still a start-up company and had (and still has had) no revenues.

155. As Brooks and Beacon invested in Oxbow Fund B, Oxbow Fund B purchased Topia stock from Oxbow Partners at $12 per share. From September, 1999, through July, 2000, Oxbow Fund B transferred $7.228 million of the invested funds to Oxbow Partners.

156. Oxbow Partners, purportedly with its profits from selling Oxbow Fund B Topia stock at an $11 per share mark up, used $5.5 million to pay Sterling's $500,000 WCC Loan Interest payments of August 1999 through June 2000. These transactions were to hide a non-performing loan to plaintiffs and other CCL clients and were not prudent investments of trust funds.

V. THE FALSE AND MISLEADING QUARTERLY REPORTS

A. The False and Misleading January 1999 Report

157. In a January 26, 1999 letter, CCL and the [redacted] b6 b7C provided the Trusts with a special update on the status of the loan. In the letter signed by Defendan[redacted] CCL advised its clients, that:

a. WCC's largest client, WFSG, was forced to liquidate significant pools of mortgage loans that were serviced by WCC and that provided servicing rights collateralizing the WCC Loan;

b. CCL had determined to sell the $160 million WCC Loan to Sterling. Sterling's rights under the loan would convert into 49.9% of the

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shares of a new subsidiary of WFSG, with a right to convert those shares into up to 42.75% of the stock of the publicly traded WFSG;

c. Sterling agreed to buy the WCC Loan for $160 million, with interest at the rate paid by Wilshire (prime rate + 3.75%);

d. Sterling was an investment company associated with a broker-dealer that had been in business over 27 years and had raised over $1 billion in capital;

e. Sterling would begin making monthly interest payments on January 25, 1999; and

f. CCL made the December, 1998 payment on the WCC Loan from its cash collateral account of trust funds, but Sterling was obligated to reimburse the cash collateral account for that payment.

158. By January 26, 1999, however, CCL, its principals, employees and professional advisors, all of whom owed fiduciary duties to the plaintiffs, knew but intentionally failed to disclose to, and/or were reckless in failing to disclose to, and/or deliberately concealed from, material information to their clients, including:

a. CCL had already agreed to release WCC from the $160 million loan in exchange for the convertible shares;

b. Based on WFSG's then current trading price, the convertible shares would be worth, at most, $1.923 million;

c. Sterling could terminate its agreement to purchase the WCC Loan at any time, without further liability;

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d. Sterling was a start-up company that had no financial ability, or intention, to make payments on the WCC Loan, except to the extent it raised funds through Oxbow Fund I;

e. Sterling had not made the interest payment that was due on January 25, 1999; and

f. That more trust funds were being used to further this scheme.

159. Moreover, despite knowing this information, Defendants CCL and WCC and their principals, employers and professional advisors prepared and presented to the plaintiffs and their professional advisors, an appraisal of the market value of the WCC Loan Participation Interests for the quarter ended December 31, 1998, at the clients' full cost of the investment rather than at its true value.

B. The False and Misleading First Quarter 1999 Report

160. In April 1999, CCL sent the trustees and their personal advisors a report for the quarter ended March 31, 1999, stating, in part, that:

a. Sterling's purchase of the WCC Loan was finalized; and

b. Sterling agreed to make monthly interest payments at the prime interest rate plus 3.75%.

161. By March 31, 1999, however, CCL and WCC and their principals, employees and professional advisors all of whom owed fiduciary duties to plaintiffs knew, but intentionally failed to disclose to, and/or were reckless in failing to disclose to, and/or deliberately concealed from their

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clients, including the plaintiffs, that:

a. Under the finalized agreement, Sterling was to begin making interest payments on March 25, 1999 (instead of January 25, 1999, as had been stated in CCL's January 26, 1999, letter to clients), and to make a $3.11 million initial deposit by March 31, 1999;

b. Sterling did not have the financial ability to make, and did not make, the March, 1999, interest payment and initial deposit; and

c. CCL made the January, February, and March 1999, WCC Loan payments from the WCC Loan cash collateral account.

Despite their true knowledge CCL, its principals, employees and professional advisors all of whom owed fiduciary duties to plaintiffs, again prepared and presented to the plaintiffs and their professional advisors, an appraisal of the market value of the WCC Loan participation interests for the quarter ended March 31, 1999, at the Trusts' full cost of the investment rather than the actual value CCL billed the plaintiffs for its services, and annualized 3% management fee for the quarter, based on the "appraised" market value, rather than a market value which would have been obtained through the application of standard accounting procedures for the quarter ended December 31, 1998. However, because at this time the defendants were in substantial breach of their fiduciary duties and of their contracts to serve the plaintiffs, they were due in fact no management fee and have the obligation instead to make good plaintiffs' losses and expenses arising from the foregoing.

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C. The False and Misleading Second Quarter, 1999 Report

162. In July, 1999, CCL sent the Trusts a report for the quarter ended June 30, 1999, on their investments in the WCC Loan. This report was prepared by the principals, employees and professional advisors of CCL, all of whom owed fiduciary duties of honesty, loyalty, and full disclosure. However, the report stated falsely stated:

a. Sterling "continued to make payments under its [agreement] with [CCL]";

b. Sterling "continue[d] to provide our clients with a gross interest rate of [prime + 3.75%], payable monthly";

c. Sterling sold a portion of the WCC Loan to an unrelated third party which had been introduced to Sterling by CCL; and

d. CCL approved the transaction and believed that it improve[d] the overall restructure of the WCC Loan while at the same time providing for the addition of another desirable and viable party that should contribute to the overall strength of CCL's existing borrower, Sterling.

163. With respect to the Brooks Loan, CCL, its principals, employees and professional advisors, all of whom owed the plaintiffs fiduciary duties of honesty, loyalty, and full disclosure, advised the Trustees:

a. Brooks was formed to facilitate future acquisitions of consumer-debt receivables;

b. CCL had agreed to loan Brooks up to $50 million;

c. The loan would be collateralized by the receivables which

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were themselves secured by the consumer item purchased and a 15% reserve in the form of money market and/or securities that could be liquidated in 30 days for cash;

d. Brooks had agreed to acquire a portion of the WCC Loan; and

e. The Brooks Loan was performing in accordance with the terms of the lending agreement.

164. These representations were false and CCL, Brooks, WCC and their principals and professional advisors knew them to be false.

165. By June 30, 1999, however, CCL, Sterling, Brooks and WCC and their principals, employees and professional advisors knew but intentionally failed to disclose to, and/or were reckless in not disclosing to, and/or deliberately concealed from the Trustees the material information that:

a. CCL had postponed Sterling's date for making the $3.11 million deposit from March 31, 1999, to January 1, 2004;

b. CCL had waived its right to receive the March and April, 1999, WCC Loan payments from Sterling;

c. Brooks' obligation to purchase a portion of the WCC Loan was conditioned on CCL's lending it $50 million; and the obligation was limited by funds available to Brooks from profit from use of the loan proceeds (and not the loan proceeds themselves); and

d. CCL and Brooks had used $1.03 million advanced under the Brook Loan (and not Brooks' profit from use of the loan proceeds) to pay a

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portion of the $1.53 million May, 1999, WCC Loan interest payment.

166. Despite knowing this information, Defendants again prepared and presented to the plaintiffs and their professional advisors, an appraisal of the market value of the WCC Loan participation interests for the quarter ended June 30, 1999, at the Trusts' full cost of the investment, rather than a market value which would have been obtained through the application of standard accounting procedures for the quarter. However, because at this time CCL and its principals were in substantial breach of their fiduciary duties and of their contracts to serve the plaintiffs, they were due in fact no management fee and have the obligation instead to make good plaintiffs' losses and expenses arising from the foregoing.

D. The False and Misleading Third and Fourth Quarter, 1999 Reports

167. In October, 1999 and January, 2000, CCL, its principals, employees and professional advisors and the [redacted] all of whom owed the plaintiffs the fiduciary duties of honesty, loyalty, and full disclosure sent the Trustees reports for the quarters ended September 30, 1999, and December 31, 1999, respectively, on the WCC Loan, which stated: b6 b7C

a. Sterling "continued to make payments under its [agreement] with [CCL] "; and

b. Sterling "continued to provide our clients with a gross interest rate of prime + 3.75%, payable monthly."

168. With respect to the Brooks Loan, CCL, its principals, employees and professional advisors, all of whom owed the plaintiffs the

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fiduciary duties of honesty, loyalty, and full disclosure, falsely advised the Trustees:

a. In the third quarter, CCL had made three more advances totaling another $15.872 million;

b. In the fourth quarter, CCL had made another three advances, bringing the total amount of the loan to slightly more than $38 million; the loan's outstanding balance was $36.965 million; and

c. The loan was performing in accordance with the terms of the lending agreement.

169. None of those statements were true when made:

a. CCL and Brooks had used a total of $6.813 million advanced under the Brooks Loan (and not Brooks' profit from use of the loan proceeds) to pay a portion of the interest payments due on the WCC Loan from June through November, 1999;

b. CCL had allowed Brooks to invest the 15% reserve account for the Brooks Loan in Oxbow Fund B, which had used the invested funds to purchase, from Oxbow Partners, stock in a start-up high technology company that had no revenues; and

c. Oxbow Partners had used profits from selling the start-up stock to Oxbow Fund B to make Sterling's interest payments on the WCC Loan from August through November, 1999.

170. Despite knowing this information, CCL, its principals and professional advisors again prepared and presented to the plaintiffs and their

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professional advisors, an appraisal of the market value of the Wilshire and Brooks Loans participation interests for the quarters ended September 30, 1999, and December 31, 1999, at the Trusts' full cost of the investment, rather than a market value which would have been obtained through the application of standard accounting procedures for the quarters.

171. CCL, its principals and professional advisors billed the Trusts an annualized 3% management fee for the quarters based on the appraised market value for the previous quarter. However, because at this time CCL and its principals were in substantial breach of their fiduciary duties and of their contracts to serve the plaintiffs, they were due in fact no management fee and have the obligation instead to make good plaintiffs' losses and expenses arising from the foregoing.

172. CCL and its principals continued to sell participation interests in the Wilshire and Brooks Loans at the full amount of the interest in the loan, rather than the correct amount.

E. The False and Misleading First Quarter, 2000 Report

173. In April, 2000, CCL, its principals, employees and professional advisors, all of whom owed the plaintiffs the fiduciary duties of honesty, loyalty, and full disclosure, sent the Trustees a report for the quarter ended March 31, 2000, regarding the WCC Loan, falsely stating, in part, that:

a. Sterling "continue[d] to make payments under its loan documents with [CCL]"; and

b. Sterling "continue[d] to provide our clients with a gross

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interest rate of [prime + 3.75%], payable monthly."

174. With respect to the Brooks Loan, CCL, its principals, employees and professional advisors, all of whom owed the plaintiffs the fiduciary duties of honesty, loyalty, and full disclosure, falsely advised the Trustees, in part, that:

a. CCL had made seven advances ,totaling slightly more than $38 million, and the loan's outstanding balance was $35.024 million; and

b. The loan was performing in accordance with the terms of the lending agreement.

175. With respect to the Beacon Loan, CCL , its principals, employees and professional advisors, all of whom owed the plaintiffs the fiduciary duties of honesty, loyalty, and full disclosure, falsely advised the Trustees, in part, that:

a. CCL had agreed to lend Beacon up to $50 million;

b. By the end of the quarter, CCL had made three advances totaling $22.225 million but had only funded $18.788 million of the advances;

c. Beacon's principals have successfully been involved in the purchase and sale of pools of consumer-debt receivables for 20 years; and

d. The loan has been performing in accordance with the terms of the lending agreement.

176. By March 31, 2000, however, CCL, its principals, employees and professional advisors, all of whom owed the plaintiffs

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fiduciary duties of honesty, loyalty, and full disclosure, knew but intentionally failed to disclose to, and/or were reckless in not disclosing to, and/or deliberately concealed from, to the Trustees that:

a. CCL and Beacon had used a total of $3.311 million advanced under the Beacon Loan to pay a portion of the December, 1999, and January and February, 2000, WCC Loan interest payments;

b. CCL had allowed Brooks and Beacon to invest funds from the 15% reserve account for the Brooks and Beacon Loans in Oxbow Fund B, which used the invested funds to purchase from Oxbow Partners stock in a start-up high technology company that had no revenues; and

c. Oxbow Partners had used profits from selling the start-up, stock to Oxbow Fund B to make Sterling's interest payments on the WCC Loan from December, 1999, through February, 2000.

177. Despite knowing this information, CCL, its principals, employees and professional advisors, all of whom owed the plaintiffs duties of honesty, loyalty, and full disclosure again prepared and presented to the plaintiffs and their professional advisors, an appraisal of the market value of the WCC and Brooks Loans participation interests for the quarter ended March 31, 2000, at the Trusts' full cost of the investment, rather than a market value which would have been obtained through the application of standard accounting procedures for the quarters.

178. CCL billed the Trusts an annualized 3% management fee for the quarter based on the falsely appraised market value for the previous

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quarter, making the fee inflated. However, because at this time, CCL and its principals were in substantial breach of their fiduciary duties and of their contracts to serve the plaintiffs, they were due in fact no management fee and have the obligation instead to make good plaintiffs' losses and expenses arising from the foregoing.

179. CCL and the [redacted] continued to sell participation b6 b7C interests in the WCC, Brooks and Beacon Loans priced at the full amount of the interest in the loan rather than the actual amount. These were not prudent investments.

F. The False and Misleading Second Quarter 2000 Report

180. In July 2000, CCL, its principals, employees and professional advisors and the [redacted] all of whom owe the plaintiffs duties b6 b7C of honesty, loyalty, and full disclosure prepared and sent the Trusts a report for the quarter ended June 30, 2000, regarding the WCC Loan. That report stated in part that:

a. Sterling "and its participants have made all payments due under the loan agreement with CCL on this loan";

b. CCL has "arranged for [an accounting firm] to perform . . . [a] full valuation of the Sterling purchase contract";

c. The accounting firm "concluded that [it was] not presently able to completely and accurately state the current fair market value of [the] clients' investment/collateral" because the "overhang" from the [WFSG] reorganization and the new [WFSG] management "needs additional time to

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prove themselves and the company's operating results to the investment community";

d. The accounting firm "indicated that a full and accurate valuation should wait for six to nine months to allow [WFSG] time to generate additional operating results";

e. CCL "has elected to reduce its fee on this investment to one-half of the normal fee until such time as an accurate valuation is done; and

f. CCL will use the accounting firm's appraisal "as the basis for its fee, and if it is less than par, which we do not anticipate, will make appropriate credits to pro-rate its fee to all clients back to January 1, 1999."

181. With respect to the Brooks Loan, CCL ,its principals, employees and professional advisors, all of whom owed the plaintiffs duties of honesty, loyalty, and full disclosure, falsely advised the Trustees, in part, that:

a. CCL had made seven advances, totaling slightly more than S38 million, and the loan's outstanding balance was $31.894 million; and

b. The loan was performing in accordance with the terms of the lending agreement.

182. With respect to the Beacon Loan, CCL, its principals, employees and professional advisors, each of whom owes the plaintiffs fiduciary duties of honesty, loyalty and full disclosure, falsely advised the Trustees, in part, that:

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a. CCL had made five advances totaling slightly more than $36.355 million, and the loan's outstanding balance was $32.455 million; and

b. The loan was performing in accordance with the terms of the lending agreement.

183. By June 30, 2000, however, CCL, Beacon, Sterling and WCC and their principals knew but intentionally failed or omitted to disclose to, and/or were reckless in not disclosing to, and/or deliberately concealed from, the plaintiffs and other CCL clients that:

a. CCL and Beacon had used a total of $3.045 million advanced under the Beacon Loan to pay a portion of the interest payments due from March through May, 2000, on the WCC Loan; and

b. CCL and Sterling used a total of $1.5 million from the Brooks and Beacon Loans' 15% reserve account to pay Sterling's portion of the interest payments on the WCC Loan from March through May, 2000.

184. Despite knowing this, CCL, its principals, employees and professional advisors, each of whom owes the plaintiffs fiduciary duties of honesty, loyalty, and full disclosure, again prepared and presented to the plaintiffs and their professional advisors, an appraisal of the market value of the WCC, Brooks, and Beacon Loans participation interests for the quarter ended June 30, 2000, at the Trusts' full cost of the investment, rather than a market value which would have been obtained through the application of standard accounting procedures for the quarters.

185. CCL billed the Trusts an annualized 3% management fee

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for the quarter based on the falsely inflated appraised market value for the previous quarter, resulting in an inflated fee. However, because at this time CCL and its principals were in substantial breach of their fiduciary duties and of their contracts to serve the plaintiffs, they were due in fact no management fee and have the obligation instead to make good plaintiffs' losses and expenses arising from the foregoing.

186. Moreover, CCL and [redacted] continued to sell participation interests in the WCC, Brooks and Beacon Loans priced at the full amount of the interest in the loan, thereby funding principal and interest payments owed to the Trusts with the Trusts' own money. b6 b7C

FIRST CLAIM FOR RELIEF

(ERISA § 404(a)(1), § 409,

29 USC § 1104(a)(1), § 1109)

(Breach of Fiduciary Duties – ERISA)

(Defendants CCL, [redacted] WCC, WFSG [redacted] b6 b7C

187. Plaintiffs repeat and reallege the allegations listed above.

188. Defendants CCL, [redacted] had discretionary control over the management and disbursement of Plan assets, and are therefore ERISA fiduciaries subject to the requirements of ERISA § 404(a)(1). 29 USC § 1002(21)(A)

189. Defendants WCC, WFSG, [redacted] by virtue of their *quid pro quo* relationship with [redacted] and CCL, had actual discretionary control over the disposition of the Plan assets, and are therefore b6 b7C

also ERISA fiduciaries subject to the requirements of ERISA § 404(a)(1). 29 USC § 1002(21)(A).

190. At all times relevant to this action, CCL and the [redacted] b6 b7C charged the Plans fees for investment management services based upon a percentage of the value of the assets managed.

191. At all times relevant to this action, and continuing to the present, CCL and the [redacted] calculated their fees to their clients based upon the full face value of the loans – $160 million. As set forth in above, as of September 13, 2000, the maximum value of the stock held in lieu of the loan was approximately $13.4 million, and the Plans' investment had declined in value to approximately $9.5 million. Defendants CCL and its principals therefore concealed from the Plans the declining value of the Plans' investment, which caused the Plans to pay fees in excess of those to which those Defendants were entitled. By so doing, CCL and the [redacted] acted for b6 b7C their own benefit and breached their fiduciary duty to act for the exclusive benefit of the plans and their participants. This violated ERISA § 404(a)(1)(A).

192. In investing over $160 million in trust funds in WCC, defendants CCL and the [redacted] failed to act prudently and to diversify b6 b7C their investments, thereby violating ERISA § 404(a)(1)(A) & (C).

193. In obtaining a substantial loan of trust funds from CF Credit to repay one trust for the excessive fees he had been charging, defendants CCL, WCC, [redacted] breached their b6 b7C fiduciary duties to act solely in the interests of the plan.

194. CCL and [redacted] breached their fiduciary duties to act prudently as this loan transaction left [redacted] beholden as a debtor to

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entities in whom he was investing trust assets. By investing trust assets in WCC to be siphoned back to [redacted] personally through CF Credit, [redacted] breached his fiduciary duties in violation of ERISA § 404(a). b6 b7C

195. In loaning Brooks, Beacon, Sterling, and Oxbow substantial sums of trust assets and allowing them to make interest-only payments with the option not to make payments at all, CCL and its principals breached their fiduciary duty to act prudently. This violated ERISA § 404(a)(1)(A).

196. Moreover, because CCL and its principals entered into this arrangement solely for the purpose of receiving a minimal cashflow, in order to convince the investors that the original $160 million loan to CCL was not in default, so that CCL could continue to receive its fee of 3% on that amount, CCL and its principals failed to act exclusively for the benefit of the plan and the plan participants. This violated ERISA § 404(a)(1)(B).

197. In making loans, inflating the amount of the loans, amending the terms of the MLA, releasing the cash collateral, not calling in the loans after learning that the underlying collateral had been significantly impaired as to value (each of which was a transaction involving plan assets), and entering into the releases in the WFSG reorganization in 1998, CCL, the [redacted] WCC, WFSG, [redacted] were not acting solely in the interest of the participants nor for the exclusive purpose of providing benefits or defraying reasonable expenses. These defendants were acting in their own interests and in the interests of their principals. This violated ERISA § 404(a)(1). b6 b7C

198. By the conduct described above, CCL, the [redacted] WCC, WFSG, [redacted] failed to act for the exclusive purpose of providing benefits to participants and their beneficiaries and with the care,

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skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, in violation of ERISA §§ 404(a)(1)(A) and (B), 29 USC §§ 1104(a)(1)(A) and (B).

199. Defendants CCL and the [redacted] consistently intentionally misled the plaintiff Trustees with respect to the investments CCL made of trust assets, and deliberately concealed from the Trustees the actual value of the investments. Defendants WCC, [redacted] were aware of and assisted in this concealment. By so doing, CCL, the [redacted] WCC, WFSG, [redacted] breached their fiduciary duties to act exclusively for the benefit of the plan and its participants, in violation of ERISA § 404(a)(1). b6 b7C

200. 29 USC § 1027 requires fiduciaries to keep accurate records. [redacted] CCL, WCC, WFSG, [redacted] did not keep truthful and accurate records and thus violated ERISA. b6 b7C

201. Pursuant to ERISA § 409(a), 29 USC § 1109(a), Defendants CCL, the [redacted] WCC, WSFG, [redacted] are jointly and severally liable to restore to the Plans all losses to the Plans and all profits or financial benefits they received as a result of these violations.

202. As a direct and proximate result of these defendants' breaches of fiduciary duties, the Trustees have sustained damages in loss of trust funds in an amount to be proven at trial.

203. Furthermore, as a direct and proximate result of the actions of CCL, WCC and WFSG and their principals and professional advisors of each of them, plaintiffs have been caused to incur attorney fees which they

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are entitled to recover. 29 USC § 1132(g).

SECOND CLAIM FOR RELIEF

(ERISA § 404(a)(1), § 502(a)(3)

29 USC § 1104(a)(1), § 1132(a)(3))

(Knowing Participation in Fiduciary Breach – ERISA)

(WCC, WFSG, WREIT, [redacted] Specialty Finance, [redacted] CF Credit, [redacted] and Sterling) b6 b7C

204. Plaintiffs repeat and reallege the allegations listed above.

205. In assisting [redacted] in obtaining a substantial loan to repay the trusts for the excessive fees he had been charging, defendants WCC, WFSG, [redacted], CF Credit, [redacted] assisted [redacted] in breaching his fiduciary duty to act solely in the interests of the plan. Because the funds loaned to [redacted] by CF Credit were trust assets loaned by CCL to WCC, this transaction also assisted [redacted] in breaching his fiduciary duty to act prudently and left [redacted] beholden to entities in whom he was investing trust assets. By structuring this transaction whereby trust assets invested in WCC would be siphoned back to [redacted] personally, defendants WCC, [redacted] CF Credit, [redacted] assisted CCL and the [redacted] in breaching their fiduciary duties in violation of ERISA § 404(a). b6 b7C

206. By entering into a transaction whereby it would receive substantial sums of trust assets which it had no obligation to repay, Sterling assisted CCL and its principals in violating their fiduciary duties to act prudently and exclusively for the benefit of the plan and the plan participants. Sterling thereby assisted CCL and the [redacted] in breaching its fiduciary duties in violation of ERISA § 404(a)(1). b6 b7C

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207. WCC, WFSG, WREIT, [redacted] CCL, [redacted] and other defendants by purporting to enter into releases of each other's obligations in connection with the reorganization assisted the fiduciaries in violating their fiduciary duties and continued to assert their interest over those of the Trustees. b6 b7C

208. By participating in a transaction whereby $5 million in plan funds would be invested in WCC, and then siphoned through [redacted] family with a $500,000 kickback t[redacted] before recycling the funds back to CCL [redacted] and WCC assisted CCL and its principals in breaching their duty to act solely in the interests of the plan and its participants. This violated ERISA § 404(a)(1). b6 b7C

209. These defendants and their professional advisors knew the foregoing transactions were in breach of CCL's fiduciary duties, thereby entitling the plaintiffs to equitable relief under ERISA § 502(a)(3), 29 USC § 1132(a)(3).

THIRD CLAIM FOR RELIEF

(ERISA § 406, § 502(a)(3); 29 USC §1106, § 1132(a)(3))

(Knowing Participation In A Prohibited Transaction -- ERISA)

(Defendants CCL, [redacted] WCC, WFSG, WREIT, [redacted] Specialty Finance [redacted] CF Credit [redacted] b6 b7C

210. Plaintiffs reallege the allegations listed above.

211. By participating in a transaction whereby Brooks, Beacon and Sterling would receive substantial sums of trust assets for the purpose of providing interest-only payments to CCL, to allow CCL and its principals to continue receiving their 3% fee on that inflated fund amount, Sterling

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knowingly participated with CCL and [redacted] in self-dealing. This violated ERISA § 406(b). b6 b7C

212. In making loans, inflating the amount of the loans, amending the terms of the MLA, releasing the cash collateral, not calling in the loans after learning that the underlying collateral had been significantly impaired as to value (each of which was a transaction involving plan assets), and entering into the releases in the WFSG reorganization in 1998, CCL and the [redacted] were acting on behalf of, and for the benefit of, the purported borrower, WCC, and its principals [redacted] and on behalf of itself and its principals to keep the 3% of inflated value fees uninterrupted and growing. This violated ERISA § 406(a) & (b). b6 b7C

213. The interests of these participants in these transactions were adverse to the plaintiffs. The interests of the lender (i.e. the Trustees) and the borrower (i.e. WCC and its principals) are always adverse. The interest of the investment manager to keep its fees uninterrupted and growing was adverse to the investors, including the Trustees.

214. In participating in a transaction whereby [redacted] would obtain a substantial personal loan from CF Credit, which funds were originally trust assets invested by CCL with WCC, defendants [redacted] CCL, WCC, [redacted] CF Credit, [redacted] knowingly facilitated [redacted] self-dealing, which resulted in the transfer of plan funds to a party in interest. This conduct constituted a prohibited transaction in violation of ERISA § 406(a) & (b). b6 b7C

215. By participating in a transaction whereby $5 million in plan funds would be invested in WCC, and then siphoned through [redacted] family with a $500,000 kickback to [redacted] before recycling the funds to b6 b7C

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CCL, [redacted] and WCC knowingly assisted CCL and its principals in self-dealing and receiving plan assets for their own benefit. This violated ERISA § 406(a) & (b). b6 b7C

216. By virtue of their fiduciary status, defendant WCC, WFSG and their principals [redacted] were also ERISA parties-in-interest. 29 USC § 1002(14)(A). In participating in a transaction whereby trust assets loaned by CCL to WCC were then disseminated to [redacted] personally, WCC, WFSG, [redacted] received trust assets for their own benefit. This constituted a prohibited transaction in violation of ERISA § 406(a) & (b). b6 b7C

217. The above-listed defendants knew the foregoing transactions caused them to participate in ERISA prohibited transactions, thereby entitling the plaintiffs to equitable relief under ERISA § 502(a)(3), 29 USC § 1132(a)(3).

218. As a direct and proximate result of defendants' participation in ERISA prohibited transactions, the Trustees of the trust funds have sustained damages in an amount to be proven at trial.

219. Furthermore, as a direct and proximate result of the actions of CCL and WCC and the principals and professional advisors of each of them, plaintiffs have been caused to incur attorney fees which they are entitled to recover. 29 USC § 1132(g).

FOURTH CLAIM FOR RELIEF

(ERISA § 502(a)(3), 29 USC § 1132(a)(3))

(Knowing Transferees of Ill-Gotten Trust Assets - ERISA)

(All other Defendants)

220. Plaintiffs repeat and reallege the allegations listed above.

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221. As described more fully above, the Specialty Finance transaction involved trust funds and the recipients knew that fact. These defendants knew or should have known that the more than $5 million dollars exchanged between them were comprised of ill-gotten trust assets and that the series of transfers constituted a breach of the trusts.

222. Defendants WCC, [redacted] transferred some of the funds received from the Trusts directly to [redacted] personally. [redacted] subsequently transferred this funds to [redacted] defendant [redacted] b6 b7C

223. WCC, through its principals, [redacted] and [redacted] knew or should have known that the amounts transferred between them were comprised of ill-gotten trust assets to which they were not entitled and that the series of transfers constituted a breach of the trusts.

224. CCL and its principals caused Bear-Stearns to release $19 million in trust funds to WCC, which funds WCC and its principals, [redacted] promptly transferred to [redacted] subsidiary, BH Bank and to reimburse the bank pursuant to an order of the Offices of Thrift Supervision. b6 b7C

225. BH Bank and its principals, [redacted] knew or should have known that these funds were comprised of ill-gotten trust assets to which they were not entitled, and that the transfers constituted a breach of the trusts.

226. All other defendants knowingly received trust fund assets or collateral trust loans improperly removed from the trusts without valuable consideration.

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227. Pursuant to ERISA § 502(a)(3), 29 USC § 1132(a)(3), all other defendants were unjustly enriched by the receipt of ill-gotten plan assets, and are liable to the Trusts for all losses to the Trusts and all profits or financial benefits they received as a result of these violations.

FIFTH CLAIM FOR RELIEF

Negligence

[redacted] and CCL) b6 b7C

228. Plaintiffs reallege the allegations in the above paragraphs.

229. Defendants CCL and [redacted] knew or should have known of the improprieties alleged herein and failed to:

(a) Invest plaintiffs' funds prudently;

(b) Perform proper due diligence; and

(c) Advise or inform plaintiffs of significant losses as a result of the imprudent investment at a time when Plaintiffs could have prevented further losses and recovered most or all of their losses;

(d) Adhere to the Investment Agreements issued by the plaintiffs.

230. CCL's failure to invest the trust, pension and welfare funds prudently caused Plaintiffs significant economic harm which was an obvious and foreseeable risk of such imprudent and risky investments.

231. Defendants' conduct was unreasonable in light of the risk involved in the investments more fully described above.

232. Defendants' negligent conduct was one of the significant, proximate, direct, and foreseeable causes of Plaintiffs' economic harm, in an amount to be proven at trial.

Negligence

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(As To All Other Defendants)

233. Plaintiffs reallege the allegations in the above paragraphs.

234. The remaining defendants are jointly liable with CCL and [redacted] in one or more of the following particulars: b6 b7C

(a) Said defendants gave CCL substantial assistance to CCL's wrongful acts and for their own purposes and motives;

(b) Defendants knew or should have known that CCL's conduct breached its duty of care to plaintiffs, and defendants gave substantial assistance or encouragement to CCL to breach its duty; and

(c) Defendants acted negligently, in concert with CCL, and in pursuit of a common design with CCL.

235. Each of the defendants was aware or should have been aware that such conduct by CCL was wrongful at the time the assistance was provided to CCL.

236. When severally considered, the conduct of each of the defendants also constitutes breaches of duty to plaintiffs.

237. Plaintiffs' damages were a foreseeable, direct, consequential, and proximate consequence of defendants' wrongful acts.

238. As a direct result of defendants' conduct, and the substantial assistance as provided by these defendants as alleged above, plaintiffs have been foreseeably damaged as more fully described herein.

SEVENTH CLAIM FOR RELIEF

Negligent Misrepresentation

(Against Defendants CCL and The [redacted] b6 b7C

239. Plaintiffs reallege the allegations in the above paragraphs.

240. [redacted] and CCL

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were agents of the Plaintiffs. The purpose of the agency relationship was for the agents to invest the principals' trust funds prudently and according to ERISA standards and according to the plaintiffs' Investment Agreements with CCL.

241. [redacted] and CCL had a "special relationship" with plaintiffs. As a result, Plaintiffs relied on CCL and the [redacted] for their expertise in investing trust funds and Plaintiffs would expect that material facts would be disclosed truthfully and accurately and that no material facts would be omitted. b6 b7C

242. These defendants negligently misrepresented the following material facts (affirmatively or through material omissions):

(a) Plaintiffs' trust funds were prudently invested;

(b) Plaintiffs' trust funds were properly diversified;

(c) The portion of Plaintiffs' trust funds invested in the collateralized note program was fully secured;

(d) The asset(s) used to secure the portion of Plaintiffs' trust funds invested in the collateralized note program had been valued by an independent and unbiased appraiser, following standards and ethics in the appraising industry;

(e) CCL had stringent investment guidelines and provided a detailed analysis of its borrowers prior to lending funds under the collateralized note program;

(f) The collateralized note program was subject to a committee comprised of CCL professionals from various backgrounds;

(g) The funds invested in the collateralized notes were under constant review by CCL for collateral values and market information to keep

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CCL advised about Plaintiffs investment performance in these investments;

(h) These defendants failed to disclose to Plaintiffs that one or more of CCL's private loans, for which it used trust fund money, was made to the wife of one of the appraisers alleged by CCL to be making independent appraisals of the collateral securing the trust fund money invested in the collateralized note program;

(i) These defendants failed to disclose to Plaintiffs when certain collateralized notes were in default as a result of insufficient collateral or the borrower's failure to make a timely payment;

(j) These defendants failed to disclose to Plaintiffs that [redacted] received a $5 million line of credit from CF Credit which came from trust funds at WCC. b6 b7C

(k) These defendants failed to disclose to Plaintiffs, in 1998, that [redacted] $5 million line of credit was transferred to WCC, which was CCL's largest borrower;

(l) These defendants failed to disclose to plaintiffs that Sterling Capital, LLC, failed to make payments under its agreement as scheduled;

(m) These defendants failed to disclose to plaintiffs Sterling's breach of the agreement;

(n) These defendants failed to disclose to plaintiffs that CCL made payments to service providers out of cash collateral accounts, money which was intended to be used solely as security for certain loans;

(o) These defendants failed to disclose that CCL made payments out of cash collateral accounts, money which was intended to be used solely as security for certain loans, to make interest payments on behalf

of CCL's debtors in the collateralized note programs;

(p) These defendants failed to disclose to plaintiffs that a number of CCL's borrowers in the collateralized note program were interrelated through common ownership, thereby not disclosing the lack of diversification of the trust funds;

(q) These defendants failed to disclose to plaintiffs that CCL agreed to a prepackaged bankruptcy or that the restructuring of WFSG, WCC and other Wilshire entities would extinguish personal guarantees and loan obligations of [redacted] in exchange for, among other things, releases of loan obligations and personal guarantees [redacted] b6 b7C

(r) These defendants failed to disclose in its reports to plaintiffs that the principals of WCC, CCL's largest borrower, were depleting assets of the borrowing entity;

(s) These defendants failed to disclose to plaintiffs that WCC had entered into an agreement which would extinguish the security for the collaterailzed notes as well as WCC's revenue used to service the interest in principal payments to CCL;

(t) These defendants failed to disclose to plaintiffs that CCL had performed no due diligence or other analysis of WFSG's bankruptcy reorganization between October, 1998, through June, 1999;

(u) These defendants failed to disclose to plaintiffs that the cash collateral account was released to WCC, thereby reducing Plaintiffs' security;

(v) These defendants misled plaintiffs that the WCC loans, which became the Sterling loans, were current, and that CCL anticipated no problems with these loans;

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(w) These defendants failed to disclose to plaintiffs the lack of CCL's investigation and analysis/due diligence of Brooks Financial, LLC, and Brooks' inability to repay the loans allegedly purchased;

(x) These defendants informed plaintiffs that no client's money went directly to Sterling and came back to CCL in the form of principal or interest on the WCC/Sterling loans;

(y) These defendants failed to disclose to plaintiffs that WCC no longer provided security in the form of an interest in underlying loan pools;

(z) These defendants misled plaintiffs to believe that the conversion of new servicer WCC stock into WFSG stock was at the election of CCL, when CCL knew or should have known that there was a specific calculation causing any conversion to be contingent on WFSG's certain performance.

251. Plaintiffs justifiably relied on the negligent misrepresentations, whether affirmatively made or omitted by these defendants.

252. These defendants' misrepresentations were material to plaintiffs' decisions to invest, to continue to increase their investments, and to not withdraw money from CCL's control.

253. Plaintiffs' reliance on the material misrepresentations directly, proximately, and consequentially caused the reasonably foreseeable harm suffered by Plaintiffs as more fully described herein.

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EIGHTH CLAIM FOR RELIEF

Breach Of Fiduciary Duty

(As To CCL and [redacted])

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243. Plaintiffs reallege the allegations listed above.

244. [redacted] and CCL solicited and took control of the trust fund money and plaintiffs depended on CCL to prudently invest that money. Plaintiffs reposed a special confidence in these defendants, and these defendants were bound to act in good faith and with due regard to the interests of plaintiffs.

245. These defendants negligently, intentionally, and/or knowingly acted in disregard of their fiduciary duty owed to plaintiffs by failing to invest the trust funds prudently, by breaching the Investment Agreements, by placing their own interests above those of plaintiff, by misleading plaintiffs through acts and omission and otherwise as more fully described herein.

246. The actions taken by CCL and its agents in breach of their fiduciary duties owed to plaintiffs lead to the reasonably foreseeable harm suffered by plaintiffs as more fully described herein, for which plaintiffs should be compensated and made whole.

247. The tortious activity described above was willful and wanton and the aggravating factors in this matter justify the imposition of punitive damages in an amount to be proven at trial.

NINTH CLAIM FOR RELIEF

Breach Of Fiduciary Duty

(As To All Other Defendants)

248. Plaintiffs reallege the allegations listed above.

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249. The remaining defendants are jointly liable with CCL and [redacted] for their participation in the common scheme as more fully set forth above because: b6 b7C

(a) Defendants gave CCL substantial assistance to CCL's wrongful acts;

(b) Defendants knew or reasonably should have known that CCL's conduct breached its duty of care to plaintiffs; -

(c) Defendants gave substantial assistance or encouragement to CCL to breach its duty;

(d) Defendants acted for their own personal interests to the detriment of their responsibilities to plaintiffs; and

(e) Defendants acted in concert with CCL in pursuit of a common design with CCL.

250. Defendants acted willfully, knowingly or recklessly and provided substantial assistance and were aware or should have been aware that such conduct by CCL was a breach of its fiduciary duty to Plaintiffs at the time the assistance was provided to CCL.

251. When severally considered, the conduct of each of the defendants also constitutes breaches of duty to plaintiffs.

252. As a direct result of defendants' conduct, plaintiffs suffered the reasonably foreseeable damages as more fully described herein.

253. The tortious activity described above was willful and wanton and these aggravating factors justify the imposition of punitive damages in an amount to be proven at trial.

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TENTH CLAIM FOR RELIEF

Tortious Interference With A Contract

(As To Defendants [redacted] b6 b7C

254. Plaintiffs reallege the allegations listed above.

255. Defendants [redacted] individually and on [redacted] WCC, entered into a Master Loan Agreement with CCL on July 6, 1995, which provided WCC with a line of credit up to $10,525,500. The Master Loan Agreement was amended eight times over the next 40 months and raised the line of credit in excess of $160,000,000, always to the detriment of plaintiffs.

256. The Master Loan Agreement was the operating agreement between CCL and WCC for the loans CCL provided WCC. Plaintiffs' ERISA trust funds were used to fund the loans to WCC. CCL [redacted] b6 b7C [redacted] knew that the loans were funded by Plaintiffs' and others' ERISA trust funds. Plaintiffs were some of the intended beneficiaries of the contract to loan money to WCC. The Master Loan Agreement, was intentionally interfered with by [redacted] as described more fully herein.

257. After WCC received Plaintiffs' trust fund money pursuant to the Master Loan Agreement, and subject to the restrictions in section 2.1, defendants [redacted] intentionally caused WCC to make b6 b7C personal loans to [redacted] the combined amount of loans exceeded $50 million. The personal loans had no specific terms for repayment.

258. The personal loans by WCC to the only two shareholders of WCC amount to a dividend to the shareholders and do not meet the restrictive

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language of the Master Loan Agreement as to what purposes the loan proceeds may be applied.

259. The acts of [redacted] interfered with and caused WCC to breach the Master Loan Agreement, as to which plaintiffs were intended beneficiaries. b6 b7C

260. The withdrawal of assets from WCC by its shareholders caused WCC to default on its obligations to CCL. WCC's default on its loan obligations was a reasonably foreseeable, direct, and proximate and/or intended consequence of defendants' actions.

261. These actions by [redacted] constituting an intentional interference with the Master Loan Agreement, have caused damages to plaintiffs in an amount to be proven at trial. b6 b7C

262. The tortious activity described above was willful and wanton and justifies the imposition of punitive damages in an amount to be proven at trial.

263. [redacted] conduct was not discovered, nor could be discovered, until the investigation which took place after irregularities began to surface in 2000. b6 b7C

ELEVENTH CLAIM FOR RELIEF

Conversion

(As To [redacted] b6 b7C

264. Plaintiffs reallege the allegations listed above.

265. Defendants [redacted] took possession and control of the trust funds belonging to plaintiffs and did not return the funds to the plaintiffs, but instead kept them for their own use or transferred them to other persons who were not acting in the interests of Plaintiffs.

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266. [redacted] intentional conversion of the trust funds to their own use was inconsistent with, and seriously interfered with, the rights of the plaintiffs to the funds.

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267. As a result of [redacted] conversion of the trust funds, they are jointly and severally liable to the plaintiffs to restore to the plans all losses to the plans and all profits or financial benefits they received as a result of the conduct described above.

TWELFTH CLAIM FOR RELIEF

Conversion

(As To All Other Defendants)

268. Defendants intentionally took possession and control of the trust funds belonging to the Trusts. Defendants did not return the funds to the Trusts, but instead kept them for their own use or transferred them to other persons who were not acting in the interests of the Trusts.

269. Defendants' intentional conversion of the funds to their own use was inconsistent with, and seriously interfered with, the rights of the plaintiffs to the funds.

270. As a result of defendants' conversion of the trust funds, they are jointly and severally liable to restore to the plaintiffs for the plans all losses to the plans and all profits or financial benefits they received as a result of the conduct described above.

THIRTEENTH CLAIM FOR RELIEF

Constructive Trust

(Restitution, Unjust Enrichment)

(Against All Defendants)

271. Plaintiffs reallege the allegations listed above.

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272. By their actions described above, defendants, and each of them, obtained trust funds belonging to the plaintiffs' trusts through the wrongful conduct of defendants. Through their conduct, defendants were unjustly enriched to the detriment of plaintiffs.

273. In good conscience and equity, defendants should not be permitted to retain these funds which rightfully belong to the plaintiffs' trusts.

274. As a result of defendants' wrongful conduct, this court should impose a constructive trust on each of the defendants, requiring them to make restitution to the plaintiffs for the funds defendants retained.

FOURTEENTH CLAIM FOR RELIEF

Fraudulent Misrepresentation

(As To CCL and [redacted] b6 b7C

275. Plaintiffs reallege the allegations listed above.

276. [redacted] and CCL and their professional advisors made material representations, orally, in writing, and by their conduct, more fully described below, to Plaintiffs to induce Plaintiffs to continue their relationship with CCL and the [redacted]

277. The representations were false and enabled CCL and the [redacted] to conceal material facts from Plaintiffs; the concealment of such facts caused and worsened plaintiffs' damages. b6 b7C

278. [redacted] (an employee of CCL acting in the course and scope of his engagement), [redacted] on behalf of CCL, falsely represented to plaintiffs, in marketing materials, quarterly reports and semianual meetings that:

(a) Plaintiffs' trust funds would be and were prudently

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invested;

(b) Plaintiffs' trust funds were properly diversified;

(c) The portion of Plaintiffs' trust funds invested in the collateralized note program was fully secured;

(d) The asset(s) used to secure the portion of Plaintiffs' trust funds invested in the collateralized note program had been valued by an independent and unbiased appraiser following standards and ethics in the appraising industry;

(e) CCL had stringent investment guidelines and provided a detailed analysis of its borrowers prior to lending funds under the collateralized note program;

(f) The collateralized note program was subject to a committee comprised of Capital Consultants professionals from various backgrounds;

(g) The funds invested in the collateralized notes were under constant review by CCL for collateral values and market information to keep CCL advised about Plaintiffs investment performance in these investments;

(h) CCL failed to disclose to Plaintiffs, when CCL had a duty to disclose, that one or more of CCL's private loans, for which it used trust fund money, was made to the wife of one of the appraisers alleged by CCL to be making independent appraisals of the collateral securing the trust fund money invested in the collateralized note program;

(i) CCL failed to disclose to Plaintiffs, when CCL had a duty to disclose and take action, when certain collateralized

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notes were in default as a result of insufficient collateral or the borrower's failure to make a timely payment;

(j) CCL failed to timely disclose to Plaintiffs, when CCL had a duty to disclose, that [redacted] received a $5 million line of credit from CF Credit, which lender was a referral from CCL's single largest borrower (WCC) after [redacted] approached [redacted] of WCC, for the referral; b6 b7C

(k) CCL failed to disclose to Plaintiffs, when CCL had a duty to disclose, that in 1998 [redacted] $5 million line of credit was transferred to WCC, which was CCL's largest borrower, and that WCC made direct loans to [redacted] b6 b7C

(l) CCL failed to disclose to plaintiffs, when CCL had a duty to disclose, that Sterling Capital, LLC failed to make payments under its agreement as scheduled;

(m) CCL failed to disclose to plaintiffs, when CCL had a duty to disclose, nonrecourse position as well as Sterling's entire departure from the agreement;

(n) CCL failed to disclose to plaintiffs, when CCL had a duty to disclose, that CCL made payments out of cash collateral accounts, money which was intended to be used solely as security for certain loans, to pay service providers;

(o) CCL failed to disclose to plaintiffs, when CCL had a duty to disclose, that CCL made payments for its own services out of cash collateral accounts, money which was intended

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to be used solely as security for certain loans, to make interest payments on behalf of CCL's debtor(s) in the collateralized note programs;

(p) CCL failed to disclose to plaintiffs, when CCL had a duty to disclose, that CCL agreed to a prepackaged bankruptcy plan and restructuring of WFSG, WCC and other Wilshire entities would extinguish personal guarantees and loan obligations of [redacted] in exchange for, among other things, releases of loan obligations and personal guarantees of [redacted] b6 b7C

(q) CCL failed to disclose to plaintiffs, when CCL had a duty to disclose, in its reports to plaintiffs that the principals of WCC, CCL's largest borrower, were depleting assets of the borrowing entity;

(r) CCL failed to disclose to plaintiffs that the cash collateral account was released to WCC, thereby reducing Plaintiffs' security;

(s) CCL represented to plaintiffs that the WCC loans, which became the Sterling loans, were current and that CCL anticipated no problems with these loans;

(t) CCL represented to plaintiffs that no client money went directly to Sterling and came back to CCL in the form of principal or interest on the WCC/Sterling loans;

279. Plaintiffs reasonably relied on the representations and did not know the representations were false. Due to the concealment and complicity of others, Plaintiffs could not reasonably discover the falsity of

the representations until the scheme fell apart in 2000.

280. As a result of Plaintiffs reasonable reliance, Plaintiffs continued their relationship with CCL to the further detriment to Plaintiffs.

281. Plaintiffs' reliance on the false and intentionally misleading representations directly, proximately, and consequentially caused the reasonably foreseeable harm suffered by plaintiffs, as more fully described herein.

FIFTEENTH CLAIM FOR RELIEF

Fraud

(As To CCL, WCC, [redacted] b6 b7C

282. Plaintiffs reallege the allegations listed above.

283. The actions, representations and warranties of Defendants CCL, WCC, [redacted] in perpetuation and concealment of the scheme intentionally and/or recklessly defrauded plaintiffs of millions of dollars as set forth above in particular detail.

284. Plaintiffs were kept ignorant of the true facts and reasonably and justifiably relied on the false and misleading representations in making their decision to continue to invest in CCL.

285. The continued investment in the CCL/WCC scheme as a result of the misrepresentations caused damages and caused an increase in damages as the scheme was perpetuated.

SIXTEENTH CLAIM FOR RELIEF

BREACH OF CONTRACT

As to Defendants [redacted] & CCL b6 b7C

286. Plaintiffs reallege the allegations listed above.

287. Defendants [redacted]

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[redacted] WCC, entered into a Master Loan Agreement with CCL on July 6, 1995, which provided WCC with a line of credit up to $10,525,500. The Master Loan Agreement was subsequently amended eight times over the next 40 months, and the line of credit was raised in excess of $160 million. b6 b7C

288. The Master Loan Agreement was the operating agreement between CCL and WCC for the loans CCL provided WCC. Plaintiffs' ERISA trust funds were used to fund the loans to WCC. CCL, its principals, employees, and professional advisors, WCC, [redacted] knew that the loans were funded by Plaintiffs' ERISA trust funds, and that Plaintiffs were intended beneficiaries of the contract to loan money to WCC. b6 b7C

289. The withdrawal of assets from WCC by its shareholders, and the breach of contract and breach of the duty of good faith and fair dealing caused WCC to default on its obligations to CCL and therefore to plaintiffs, the intended beneficiaries of the agreement. Plaintiffs were damaged in an amount to be proven at trial.

SEVENTEENTH CLAIM FOR RELIEF

BREACH OF CONTRACT

(As to Defendants CCL and The [redacted] b6 b7C

290. Plaintiffs reallege the allegations listed above.

291. Defendants CCL, [redacted] entered into investment agreements with each of the Plaintiffs. This provided CCL with a way to earn management service fees in exchange for its services in investing Plaintiffs' trust funds.

292. The investment agreements were the operating agreements between CCL and each plaintiff. In addition, CCL was also limited by

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ERISA requirements, as more fully described above. Plaintiffs' trust funds were, by the investment agreements and ERISA statutes, required to be invested prudently and in a diversified manner.

293. CCL and [redacted] invested the plaintiffs' funds in a number of risky private investments which were not prudent. CCL and [redacted] invested a large portion of the funds with just one borrower, WCC. CCL and [redacted] were in breach of the investment agreements and breach of the duty of good faith and fair dealing. b6 b7C

294. As a result of its risky investment in just one borrower, the investments were made imprudently vulnerable to loss. This vulnerability, and the misconduct by the defendants, and each of them, caused the loss of virtually all of the trust fund money in the collateralized note program. Plaintiffs, therefore, were damaged in an amount to be proven at trial.

EIGHTEENTH CLAIM FOR RELIEF

(Tortious Interference With Business Relationship)

(As to Defendants [redacted]) b6 b7C

COUNT 1

(Third Party Beneficiary of Relationship)

295. Plaintiffs reallege the allegations listed above.

296. WCC entered into the Master Loan Agreement with CCL on July 6, 1995, which provided WCC with a line of credit up to $10,525,500. The Master Loan Agreement was amended eight times over the next 40 months and raised the line of credit in excess of $160,000,000.

297. The Master Loan Agreement created a business relationship in which WCC was the debtor to CCL, by which WCC was obligated to pay CCL principal and interest on the amounts loaned to WCC by CCL.

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298. Plaintiffs' trust funds made up some or all of the money used to fund the loans to WCC. CCL, [redacted] knew that b6 b7C the loans were funded by Plaintiffs' trust funds and that Plaintiffs were the intended beneficiaries of the investment relationship between WCC and CCL.

299. After WCC received Plaintiffs' trust fund money pursuant to the Master Loan Agreement, and subject to the restrictions therein, defendants [redacted] WCC's b6 b7C [redacted] intentionally and improperly took cash out of WCC, in the form of personal loans to [redacted] [redacted] (in excess of $50,000,000.00) with no specific terms for repayment in violation of the Master Loan Agreement.

300. The personal loans by WCC to the owners amounted to a dividend to the shareholders and do not meet the restrictions of Section 2.1. [redacted] acts depleted WCC's assets and caused WCC b6 b7C to default on the Master Loan Agreement to which plaintiffs were intended beneficiaries.

301. WCC's default in its contract and relationship with CCL was a reasonably foreseeable consequence resulting from the significant depletion of assets of WCC, the debtor corporation, by [redacted] b6 b7C [redacted]

302. The intentional interference with the relationship between debtor and creditor (CCL) by [redacted] have caused damages to plaintiffs in an amount to be proven at trial.

303. The tortious activity described above was willful and wanton and justifies the imposition of punitive damages in an amount to be proven at trial.

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304. [redacted] conduct was not discovered, b6 b7C nor could be discovered, until the discovery of the scheme in 2000.

COUNT 2

(Interference of Relationship between CCL and Plaintiffs)

305. Plaintiffs reallege the allegations listed above.

306. Defendants CCL and Plaintiffs had a valid business relationship which was governed by, among other things, the investment agreement, ERISA laws, and the duty of good faith and fair dealing.

307. Plaintiffs' trust funds were, by the agreements and ERISA statutes, required to be invested prudently and in a diversified manner. CCL invested the Plaintiffs' funds in a number of risky private investments which were not prudent. CCL invested a large portion of the funds with one borrower (WCC was [redacted] b6 b7C , which was not a well-diversified investment plan.

308. Defendants [redacted] b6 b7C knew that the money being loaned to WCC was trust fund money and was subject to ERISA and the reasonable prudent investor standard. Despite said knowledge, [redacted] intentionally and improperly took the money for their own use, via personal loans from WCC (CCL's debtor) and depleted WCC of its assets to the extent that WCC could not make its loan payments to CCL and CCL began to use Plaintiffs' own money to make monthly payments to plaintiffs.

309. [redacted] sought out more trust fund b6 b7C money held in the Bear Stearns Cash Collateral Account when [redacted] needed more cash to pay back certain accounts at First Bank

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of Beverly Hills (as a requirement of the Office of Thrift Supervision) which was [redacted] but not a subsidiary or parent corporation of WCC. Upon information and belief, [redacted] threatened CCL that the entire WCC loan would be lost if [redacted] did not permit the release of the capital securing the loans. b6 b7C

310. As a result of the intentional and improper actions taken by [redacted] CCL lost an additional sum of money, exceeding $19 million, which was plaintiffs' collateral on the loans extended to WCC, thereby increasing the total damages to Plaintiffs in an amount to be proven at trial.

NINETEENTH CLAIM FOR RELIEF

RECISSION

(Releases)

311. Plaintiffs reallege the allegations listed above.

312. WCC REIT, WFSG, [redacted] (collectively referred to as the "released parties") entered into agreements with CCL whereby the released parties received releases from debt obligations, personal guarantees of debt, and from tort, contractual and other claims which had accrued to CCL and Plaintiffs. b6 b7C

313. CCL entered into the agreements purportedly on behalf of its clients including plaintiffs. CCL did not have express, implied or apparent authority to bind plaintiffs in the releases. CCL acted outside the scope of its authority in entering into the releases on behalf plaintiffs.

314. CCL never informed plaintiffs of the releases.

315. The released parties knew that CCL's release, purportedly

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on behalf of its clients, was outside the scope of his authority, improper and in furtherance of the fraud perpetuated by CCL and the released parties and in conflict with plaintiffs' interests. The released parties knew the releases were invalid and could not rely on the apparent and intended fraudulent effect of the releases.

316. Plaintiffs seek rescission of any release entered into by CCL, or its agents, on behalf of Plaintiffs to put the parties in the position in which they would have been had CCL not entered into the releases on behalf of Plaintiffs.

TWENTIETH CLAIM FOR RELIEF

VIOLATIONS OF RICO SECTION 1962(c) AND 1962(d) AGAINST DEFENDANTS [redacted] WCC, WFC, CCI/CCL, [redacted] b6 b7C

325. Plaintiffs repeat and reiterate all of the foregoing allegations and incorporate all allegations in the racketeering acts below in this claim.

326. Plaintiffs are "persons" as defined by 18 U.S.C. 1961(3).

327. The Racketeering defendants, [redacted] b6 b7C WCC, WFC, CCI/CCL (successor to CCI), [redacted] [redacted] (collectively, the "Racketeering Defendants") are "persons" as defined by 18 U.S.C. 1961(3).

328. The following are alternative enterprises within the meaning of 18 U.S.C.§ 1961(4) and 18 U.S.C. § 1962(c) ("Alternative Enterprises"):

a. [redacted] WCC, CCI/CCL, [redacted] b6 b7C [redacted] at all relevant times formed and operated an association-in-fact enterprise, although not a legal entity within the meaning

of 18 U.S.C. § 1961(4) and 18 U.S.C. § 1962(c). Various other individuals and entities were at times also associated with, aided or participated in this enterprise. This enterprise engaged in activities that affected interstate commerce. The purpose of this enterprise included both legitimate and illegitimate activities. The shared purpose of this enterprise, among other things, was the obtaining of operating loans or other funding for the Wilshire individuals and entities in the making of loans by CCI/CCL as investments and for the purpose of obtaining fees. Each of the individuals functioned in managerial and/or decision making capacities in both their individual businesses and the association-in-fact. The corporate entities were operated by the individuals as described earlier in the amended complaint. All were responsible for carrying out both legitimate and illegitimate acts of the enterprise. The enterprise acted as perpetrator and/or vehicle for the racketeering activities addressed below.

b. [redacted] **and WCC** at all relevant times formed and operated an association-in-fact enterprise, although not a legal entity within the meaning of 18 U.S.C. § 1961(4) and 18 U.S.C. § 1962(c). Various other individuals and entities were at times also associated with and participated in this enterprise. The purpose of the enterprise included both legitimate activities, including the business of purchasing and servicing loan pools and servicing loans as more particularly described in the background section of this pleading, and illegitimate activities as addressed below. This enterprise affected interstate commerce. This enterprise functioned as both perpetrator and vehicle for the racketeering activities addressed below.

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c. [redacted] **and CCI/CCL**, at

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all relevant times, formed and operated an association-in-fact enterprise, although not a legal entity within the meaning of 18 U.S.C. § 1961(4) and 18 U.S.C. § 1962(c). Other individuals and entities were at times also associated with, aided or participated in this enterprise. This enterprise engaged in activities that affected interstate commerce. The purpose of the enterprise included both legitimate activities, including the provision of investment services of various kinds and illegitimate activities as addressed below. This enterprise acted as perpetrator and/or vehicle for the racketeering activities addressed below.

d. **WCC** was an enterprise that acted as perpetrator and/or vehicle for the racketeering activities addressed below. The enterprise affected interstate commerce in the course of its various business activities as described in the re-incorporated allegations of background above. Various other individuals and entities were at times also associated with, aided and/or participated in the enterprise. The enterprise acted as perpetrator and/or vehicle for the racketeering activities addressed below.

e. **CCI/CCL** was an enterprise which acted as perpetrator and vehicle for racketeering activities which are addressed below. The enterprise affected interstate commerce in its provision of investment services. Various other individuals and entities were at times also associated with, aided and/or participated in this enterprise.

f. **The Trusts**, as victims, alternatively constitute enterprises within the meaning of 18 U.S.C. § 1962(c). The Trusts had affairs that affected interstate commerce.

g. **WFC,** [redacted] additionally b6 b7C formed and operated an association-in-fact enterprise although not a legal

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entity within the meaning of 18 U.S.C. § 1961(4) and 18 U.S.C. § 1962(c) with respect to the racketeering activities involving loans made by WFC to [redacted] as described below. Various other individuals and entities were at times also associated with, aided and/or participated in the enterprise. This enterprise engaged in activities that affected interstate commerce in the course of various WFC business. The purpose of the enterprise included both legitimate activities of WFC and illegitimate activities as addressed below with regard to the personal loans to [redacted] and acted as perpetuator and/or vehicle for those acts.

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329. At all material times herein, [redacted] acted as agents, employees, principals, and/or representatives of the corporate defendants as described earlier in this amended complaint. They engaged in the racketeering conduct described herein in such capacity and to their personal benefit and to the benefit of their corporate entities.

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330. The RICO Defendants, their co-racketeers and/or others, conducted, participated in, materially aided and/or managed, directly and indirectly, the following course of conduct constituting manner and means of the racketeering, all in furtherance of the conduct of the Alternative Enterprises over the course of the years 1994 through at least 1999:

a. To maintain and increase the amount of funds in CCI/CCL's collateralized note program ("CNP") to preserve and/or enhance CCI/CCL's management fee revenues.

b. To encourage investment by funds in the CNP ostensibly by promising high current income combined with preservation of capital.

c. To misrepresent that the loans in the CNPs were

properly secured.

d. To increase the number of clients and the amount of funds under CCL's management by misrepresenting the success of the CNP.

e. To generate funding for and deal with undisclosed financial problems of the Wilshire companies, [redacted] b6 b7C

f. To deal with undisclosed financial problems of or otherwise provide undisclosed funds to CCI/CCL and/or [redacted]

g. To misrepresent the amount of funds in the CNP to evade the Trust's diversification quota limits.

h. To omit and/or corrupt CCI/CCL's fiduciary obligation to perform due diligence in underwriting on WCC and/or WFC before increasing their credit lines.

i. To make a series of graft payments to an appraiser to compromise and influence his independent judgment in the valuation of collateral in the CNP. To influence the appraiser to misrepresent his alleged independence as an appraiser for collateral in the CNP.

j. CCI/CCL would release the appraiser's personal guarantees because of the appraiser's duties and as a *quid pro quo* for inflating appraisals of collateral in the CNP. CCI/CCL concealed and failed to declare that non-performing loans were in default, or to pursue foreclosure. CCI/CCL concealed the existence of non-performing loans, defaulted loans and foreclosures by transferring these loans to other entities to avoid negative publicity for CCI/CCL, while maintaining these loans on CCL's published loan portfolio.

k. CCI/CCL falsely represented that loans were performing but, in fact, concealed problems with loans by restructuring loans, including

postponing principal payments, extending maturity dates, making additional advances of credit, conducting debt-for-equity swaps, decreasing monthly payments and other techniques.

l. CCI/CCL, and others, created, executed and concealed a Ponzi scheme whereby the principal and interest payments on existing loans were made using the principal from succeeding loans, to give the appearance that the earlier loans were performing.

m. CCI/CCL accepted full commissions from non-performing investments and on investments with inflated investment values.

n. The RICO Defendants engaged in a series of reciprocal favors, including the solicitation and acceptance of loans, commissions, kickbacks, fees and other things of value by and among the RICO Defendants and plan professionals. The RICO Defendants were corruptly influenced to "assign" non-performing loans to successor entities to conceal the fact that these investments were not performing. The RICO Defendants converted, misapplied and condoned the conversion and misapplication of CCI/CCL's cash-collateral accounts, personal guarantees and other security for the plan investments.

331. The RICO Defendants, in direct or indirect association with the Alternative Enterprises, engaged, conducted, operated, managed or participated, directly or indirectly, in the conduct of those Enterprises' affairs through a pattern of "racketeering activity" as defined in 18 U.S.C. 1961(1) as follows.

Racketeering Acts #1-4

THE WSI TRANSACTIONS

332. Plaintiffs reallege all of the foregoing allegations.

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Racketeering Act # 1 - Mail Fraud

333. From 1993 through 1995, the Racketeering Defendants, aided and abetted by their co-racketeers and others, knowingly devised and intended to devise a scheme and artifice to defraud to obtain money and property from the Trusts, that is, funds to repay the WSI loan with the proceeds from later loans, and a scheme and artifice to deprive the Trusts of the intangible right to the honest services of CCI/CCL, [redacted] b6 b7C [redacted] as investment managers, by means of false and fraudulent pretenses, representations and promises, as well as deliberate omissions, to deceive the Trustees, the Independent Investment Monitor, the third-party administrator, counsel for the Trusts, and other Trust professionals, knowing at the time that the pretenses, representations and promises were false when made, and that the deliberate omissions were intentional.

334. The Racketeering Defendants, for the purpose of executing the above schemes and artifices to defraud, and attempting to do so, willfully and with intent to defraud, caused mail matter to be sent and delivered, according to the directions thereon, by the United States mail, as follows:

a. A June 27, 1994, letter from [redacted] to [redacted] b6 b7C [redacted] outlining the terms of a series of loans from Capital Consultants, Inc. to Wilshire Credit Corp., and from Wilshire Credit Corp. to Astoria Metals Corp., all in violation of 18 U.S.C. 18 § 1341, 1346, and 2.

Racketeering Acts # 2 and 3 Solicitation and Receipt of Improper Benefits by a Fiduciary and the Payment of Graft and Bribes

335. From on or about 1993-1995, Defendants [redacted] b6 b7C [redacted] and CCI/CCL did solicit and receive, and agreed to receive a fee, kickback, commission, gift, loan, money, and thing of value, that is, the

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WSI circular loan transaction, and the defendants [redacted] b6 b7C [redacted] WFC and WCC, did directly and indirectly give, offer, and promise to give and offer the WSI circular loan transaction, to give the appearance that the WSI Loan was performing, which also enabled CCI/CCL to receive its full commission as if the loan were performing, because of and with intent to be influenced with respect to the actions, decisions, and other duties relating to questions and matters concerning the Trusts, that is, CCI/CCL's fiduciary duties to conduct and manage the collateralized note program on behalf of the Trusts, to exercise reasonable and prudent judgment and to perform adequate underwriting of the proposed borrower before making loan decisions concerning placement of Trust assets with WCC, to determine the terms and conditions of such investments, the collection of principal and interest payments on behalf of the Trusts, the accurate appraisal of collateral for the investments, and the accurate reporting of whether such investments were actually performing ("CCI/CCL's fiduciary duties"). All in violation of Title 18, U.S.C. §§ 1954 and 2.

Racketeering Act #4 Conversion and Embezzlement of Trust Assets

336. From on or about 1993 – 1995, the defendants, CCI/CCL, [redacted] WCC, [redacted] b6 b7C [redacted] did embezzle, steal and unlawfully and willfully abstract and convert to their own use and the use of another approximately three percent (3%) per year from the $3,645,000. of the moneys, funds, securities, premiums, credits, property and other Trust assets, that is, by taking improper fees and commissions for the WSI investment from the employee welfare benefit plans and employee pension benefit plans and funds connected with such plans which are subject to Title I of the Employee Retirement Income

Security Act of 1974, as further described above. All in violation of Title 18, U.S.C. §§ 664 and 2.

Racketeering Acts #5-17

THE C.F. CREDIT LOANS

337. Plaintiffs repeat and reiterate all of the foregoing allegations in the racketeering acts below.

Racketeering Acts # 5 and 6 – Mail and Wire Fraud

338. From November 1994 through October, 1999, the Racketeering Defendants aided and abetted by their co-racketeers and others, knowingly devised and intended to devise a scheme and artifice to defraud to obtain money and property from the Trusts, that is, to extend credit for loans to WCC for investments in the collateralized note program, when the proceeds were actually re-loaned by WCC to C.F. Credit to provide the funds for a loan to CCI/CCL and [redacted] to settle the U.S. Department of Labor civil suit, and to deprive the Trusts of the intangible right to the honest services of CCL, [redacted] as investment managers, by means of false and fraudulent pretenses, representations and promises, as well as deliberate omissions, to deceive the Trustees, the Independent Investment Monitor, the third-party administrator, counsel for the Trusts, and other Trust professionals, knowing at the time that the pretenses, representations and promises were false when made, and that the deliberate omissions were intentional.

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339. The Racketeering Defendants, for the purpose of executing the above schemes and artifices to defraud, and attempting to do so, willfully and with intent to defraud, caused mail matter to be sent and delivered, according to the directions thereon, by the United States mails, as follows:

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a. A letter from [redacted], dated November 20, 1994, to [redacted] requesting a loan. b6 b7C

340. The Racketeering Defendants, for the purpose of executing the above schemes and artifices to defraud, and attempting to do so, willfully and with intent to defraud transmitted and caused to be transmitted in interstate and foreign commerce by means of wire, radio and television communication certain writings, signs, signals, pictures and sounds, that is:

A letter sent on December 5, 1995, via facsimile by [redacted] b6 b7C from Albany, California, to [redacted], in Portland, Oregon, detailing the terms of the loan to Capital Consultants, Inc. All in violation of 18 U.S.C. §§ 1341, 1343, 1346 and 2.

Racketeering Acts #7-16 -- Solicitation and Receipt of Improper Benefits by a Fiduciary and the Payment of Graft and Bribes

341. That from on or about November, 1994, through October, 1999, the defendants did solicit and receive, and agreed to receive a fee, kickback, commission, gift, loan, money, and thing of value, that is, the CF Credit circular loan transaction described in Racketeering Acts above, and the defendants [redacted] WCC, CF Credit, CCI/CCL, [redacted] did directly and indirectly give, and promise to give and offer the circular loan arrangement, to give: b6 b7C

a. the impression that the WCC loan was for legitimate investment purposes and not a sham transaction to enable CCL to pay its outstanding obligations as required by the civil suit filed by the United States Department of Labor, in the approximate amount of $1,763,000; and

b. for the following series of personal loans to [redacted] [redacted]

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Date	Amount
June 6, 1996	$200,000.00
August 20, 1996	$1,300,000.00
September 16, 1996	$700,000.00
April 10, 1997	$400,000.00

Because of and with intent to be influenced with respect to their actions, decisions, and other duties relating to questions and matters concerning the Plan, that is, CCI/CCL's fiduciary duties. All in violation of Title 18, U.S.C. §§ 1954 and 2.

Racketeering Act #17 -- Conversion and Embezzlement of Trust Assets

342. From on or about November, 1994 through October 1999, the defendants, CCL, [redacted] WCC, [redacted] [redacted] unlawfully and willfully abstract and convert to their own use the use of another approximately $4,363,000.00 of the moneys, funds, securities, premiums, credits, property and other assets of a employee welfare benefit plans and employee pension benefit plans and of funds connected with such plans which are subject to Title I of the Employee Retirement Income Security Act of 1974, as further detailed above. All in violation of Title 18, United States Code, Section 664 and 2.

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WCC AND WFC CORRUPT LOANS TO [redacted]

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Racketeering Acts #18-27 -- Solicitation and Receipt of Improper Benefits by a Fiduciary and the Payment of Graft and Bribes

343. Plaintiffs reallege all of the foregoing allegations.

344. From on or about January 1997 through April 1999, [redacted] [redacted] did solicit and receive, and agreed to receive a fee, kickback, commission, gift, loan, money, and thing of value, that is:

a. a personal loan from WCC:

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Date	Amount
January 30, 1997	$ 400,000.00

And

b. three personal loans from WFC:

Date	Amount
December 23, 1997	$ 500,000.00
January 16, 1998	$ 500,000.00
April 1, 1999	$ 411,587.72

and the defendants [redacted] WCC, and WFC did directly and indirectly give, offer, and promise to give and offer the above loans because of and with intent to be influenced with respect to the actions, decisions, and other duties relating to questions and matters concerning the Trusts, that is, [redacted] and CCI/CCL's fiduciary duties to conduct and manage the collateralized note program on behalf of the Trusts, to exercise reasonable and prudent judgment and to perform adequate underwriting of the proposed borrower before making loan decisions concerning placement of Trust assets with WCC, to determine the terms and conditions of such investments, the collection of principal and interest payments on behalf of the Trusts, the accurate appraisal of collateral for the investments, and the accurate reporting of whether such investments were actually performing ("CCI/CCL's fiduciary duties"). All violations of Title 18, U.S.C. §§ 1954 and 2.

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Racketeering Acts #28-30

THE HAND THAT FEEDS YOU! LOAN

345. Plaintiffs repeat and reallege all of the foregoing allegations.

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Racketeering Act #28-29 -- Solicitation in Receipt of Improper Benefits by a Fiduciary and Payment of Graft and Bribes

346. At all times material to this Complaint [redacted] was an agent of the Trusts, and was a person, who, and an officer, agent, and employee of Consilium Inc., an organization which, provided benefit plan services to the Trusts. b6 b7C

347. From 1994-1998, [redacted] The Hand That Feeds You!, [redacted] and Consilium, Inc., did solicit and receive, and agreed to receive a fee, kickback, commission, gift, loan, money, and thing of value, that is, loans from CCI/CCL, and the defendants CCI/CCL [redacted] WCC and [redacted] did directly and indirectly give, offer, and promise to give and offer The Hand That Feeds You! loans, and knowing that such loans constituted a prohibited transaction to [redacted] and Consilium, WCC later purchased these loans at face value, which enabled CCI/CCL to conceal a non-performing loan, and also enabled CCI/CCL to receive its full commission as if the loan were performing, because of and with intent to be influenced with respect to their actions, decisions, and other duties relating to questions and matters concerning the plans, that is, CCI/CCL's fiduciary duties and [redacted] and Consilium's duties to provide accurate appraisals of collateral for the investments as well as complete and accurate quarterly financial reports. All in violation of Title 18 U.S.C. §§ 1954 and 2. b6 b7C

Racketeering Act # 30 -- Conversion and Embezzlement of Trust Assets

348. From 1995-1998, the Racketeering Defendants did embezzle, steal, and unlawfully and willfully abstract and convert to their own use and the use of another approximately $4,500,000.00 of the moneys, funds, securities, premiums, credits, property, and other assets, that is, by submitting fraudulent account receivable invoices to the Trusts, and

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condoning and concealing the fraudulent invoices, as well as taking improper fees and commissions from The Hand That Feeds You! Loans, all from employee welfare benefit plans and employee pension benefit plans and funds connected with such plans, which are subject to Title I of the Employee Retirement Income Security Act of 1974, as further described. All in violation of Title 18 U.S.C. §§ 664 and 2.

349. The above-alleged multiple acts constitute a pattern of racketeering activity pursuant to 18 U.S.C. 1961(5) and 18 U.S.C. 1962(c) because the acts have the same or similar purposes, results, participants, victims, and/or methods of commission, or are otherwise interrelated by distinguishing characteristics and are not isolated events. All of the above-alleged acts occurred after the effective date of the RICO Act, and each act occurred within ten years of all the other acts.

350. The series of related racketeering activities alleged above satisfy the element of continuity because the course of conduct has taken place repeatedly for at least between the years 1994 and 1999.

351. Pursuant to 18 U.S.C. § 1964(c), Plaintiffs have been injured in their business or property by reason of the above-alleged violations of 18 U.S.C. § 1962 as to each RICO Defendant in amounts to be proven at trial. The injuries include, without limitation, the amounts of the conversions and/or embezzlements as particularly alleged above, the losses on the particular loans as alleged above, and the present and future losses on the entire loan portfolios of the Trusts on the loans which were corruptly made and handled as a result of the acts of racketeering, including without limitation the loss of benefits or profits if prudent investments had been made. Plaintiffs are entitled to three-fold such damages and their cost of

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suit, including their reasonable attorneys' fees.

Violation of RICO Section 18 U.S.C. § 1962(d) Against the RICO Defendants

352. Plaintiffs reallege all of the foregoing allegations.

353. Pursuant to 18 U.S.C. § 1962(d), at all relevant times as to each of the above-alleged racketeering activities, the RICO Defendants conspired to violate provisions of 18 U.S.C. § 1962(c) as set forth in the detailed transactional accounts in the reincorporated allegations.

354. Each of the defendants agreed to the racketeering acts addressed herein, and engaged in activities in furtherance of and were members of the conspiracy to violate § 1962(c) at all relevant times. As a direct and proximate result of the RICO Defendants' violations of 18 U.S.C. § 1962(d), Plaintiffs have been injured and are entitled to damages as set forth in the section 1962(c) allegations above.

WHEREFORE, the Plaintiffs respectfully requests that this court:

(a) Declare that Defendants, and each of them, have breached their fiduciary duties to Plaintiffs and the trusts participants and beneficiaries and/or aided and abetted the commission of such breach;

(b) Order that Defendants, and each of them, make restitution or pay damages to the Plaintiffs for the losses caused to the plans for the damages caused by the conduct alleged in the Complaint, where such damages are measured by the asset performance the Trusts would have enjoyed under the management of trust assets by an investment manager exercising the care, skill, prudence, diligence honesty, loyalty, and full disclosure under the circumstances then prevailing that a prudent fiduciary acting in a like capacity and familiar with such matters would use in the management of

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welfare and pension benefit assets or, in the alternative, a return of all assets wrongfully misappropriated;

(c) For the disgorgement of fees and profits wrongfully gained by the improper acts of the defendants;

(d) For the imposition of a constructive trust or equitable lien on plan assets in the possession or control of Defendants or reward money damages in equal amounts;

(f) For such equitable relief as may be required to return the trusts' assets to the trusts and restore profits owing to the trusts;

(g) For the Trusts' attorneys fees and costs pursuant to 29 USC § 1132(g). For Attorney fees and costs of suit pursuant to 18 USC § 1964(c).

(h) For such further equitable and other relief as this court deems just; and

(i) For punitive damages against defendants CCL, [redacted] WCC, [redacted] on the appropriate common law claims. b6 b7C

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JURY DEMAND

Pursuant to FRCP 38, plaintiffs hereby demand trial by jury for all of the issues of fact in the above referenced action.

DATED this 13th day of November, 2000.

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Attorneys for Plaintiffs